JANUARY 20, 1975

Commerce Today

Special World Trade Outlook Issue

Preparing Tomorrow's Workers

This column was written by Under Secretary of Commerce John K. Tabor.

On August 30, 1974, at Ohio State University, the President asked for new ways to bring the world of work and the institutions of education closer together. He stated that "the time has come for a fusion of the realities of a work-a-day life with the teaching of academic institutions."

The President has pinpointed a real problem. Students know little about work and their concern about this is widespread. They also have a dim view of what they perceive work to be. A large majority of the 75 percent of students who enter the labor market full-time without a college degree have received no complete or specific occupational education.

Employers for their part tend to exclude young people from entry into career occupations until they reach their early 20s, and often offer young people jobs with immediate payoff requiring little training or supervision. Such jobs provide little initiative to young people to stick with the job and the resulting turnover reinforces employers' perceptions that young people are irresponsible.

Only 39 percent of American high schools offer courses in economics; one out of six high school students takes economics; and of these, only a little over 1 percent of their total high school time is spent studying this subject—yet it is the subject involved in most of today's page one or 7 p.m. news.

The transition from the initial period of education to work is not well-assisted. Services which might help young people bridge the gap between school and employment are generally not provided in the schools. Career guidance is inadequate in quantity and quality. Most occupational information is not oriented to local labor markets; nor is it effectively delivered. Job placement services are not provided to students in the vast majority of high schools.

We believe there is an emerging perception of these problems around the country, but there is a lack of focus on it as a matter of priority, and the quality of solutions varies markedly with variances in drive and resources in different local communities. There is a need to break out of the mold cast by our institutions. There is a need to end the isolation of the world of work from the world of education.

No standard federal prescription or shiny new federal program will do the job of meeting the vastly different needs and resources of different communities. Each community must decide for itself what it can and should do. There are, however, a number of common goals.

All secondary school students should have an opportunity for work experience as a part of their education, and barriers to this should be minimized. Courses in elementary economics should be provided in all secondary schools. How are young people to understand the world of work as a system and the major issues of the day without basic economic understanding? We also need to assist students in understanding the principal features of different careers, their prospects, the nature of future labor markets and specific job opportunities. What about having engineers, businessmen, lawyers, steel workers, craftsmen, writers describe their work and careers to high school assemblies? Finally, there is a need for local joint planning by educators, businessmen, labor and youth to rejoin the worlds of work and education in communities throughout the country.

I urge American business, labor and community leaders to respond to this problem in a positive way.

What can you do? Here are a few openers:

- Pick up the telephone. Call the secondary school principals, superintendents or school board directors in your area. Tell them of your concern and your desire to assist by providing work experience in your plant as a part of secondary school education, or talking to students about your work.
- If you want more economics taught, support the private Joint Council on Economic Education, 1212 Avenue of the Americas, New York, N.Y., 10036, or other groups doing good work in this respect.
- Encourage programs where your employees or members work or participate in sports or other projects with youth. Those youth can be your future employees or members. Why not have your best representatives point the way for them?

John K. Tabor

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COVER: *On Jan. 3 President Ford signed the Trade Act of 1974 in the presence of Vice President Rockefeller, Secretary of Commerce Dent (at left) and Congressional and national leaders. This special World Trade Outlook issue assesses prospects for U.S. international commerce as the new measure goes into effect.*

Sharp Increase In Rate Of Unemployment Reflects Pervasive Slowdown In Economy

Economic Highlights is prepared by James L. Pate, Assistant Secretary of Commerce for Economic Affairs.

The sharp increase in unemployment in recent months undoubtedly reflects a cumulative and pervasive downturn in economic activity even though some joblessness can be attributed to more basic, long-term economic and social problems. Layoffs in the automobile manufacturing plants and a few other industries have received the most attention, but the recent rise in unemployment was evident among many industries and almost all types of workers.

The unemployment rate of 7.1 percent in December has a number of interesting aspects. It represents the highest rate in 13 years. The climb of 1.1 percentage points from October to December was the sharpest since the 1957-58 recession. It is also significant that most of the increase in the number of unemployed workers, which reached 6.5 million in December, occurred in the last four months of the year. The rapid increase in the total unemployed is particularly disappointing because it resulted from a lack of employment opportunities rather than increases in the labor force. Employment grew slowly and sporadically most of the year and then declined appreciably. Approximately one-half million fewer people were employed in December 1974 than a year earlier. The last over-the-year decrease in employment occurred in 1971.

Workers usually classified as the most stable were among those heavily affected by the rising tide of unemployment. Married men, the group that normally has the lowest unemployment rate, experienced a jobless rate of 2.6 percent in August; by December it was 3.7. For heads of household, men and women, the rate rose from 3.1 percent in August to 4.5 percent in December while the rate for full-time workers increased from 6.2 to 6.8 percent. The increments for heads of household and full-time workers were the largest since these series began in 1963.

The job market deteriorated for white-collar and blue-collar workers alike. White-collar workers experienced unusually large increases in joblessness. The rate rose from 3.3 percent in October to 4.1 percent in December, the highest rate for this group since statistics were first recorded on a monthly basis in 1958. The rate for blue-collar workers moved from 8.2 percent in November to 9.4 percent in December.

Unemployment among black workers rose from 11.7 to 12.8 percent in December, remaining at about double the rate for white workers. Unemployment among teenagers continues as the highest for all groups; in December the rate rose a full point to 18.3 percent.

Data from the Bureau of Labor Statistics show that about three-fourths of the major industry categories had fewer workers on their payrolls in December although some were much more heavily affected than others. The highest unemployment rate, 15 percent, was in construction; that rate was the highest since 1961.

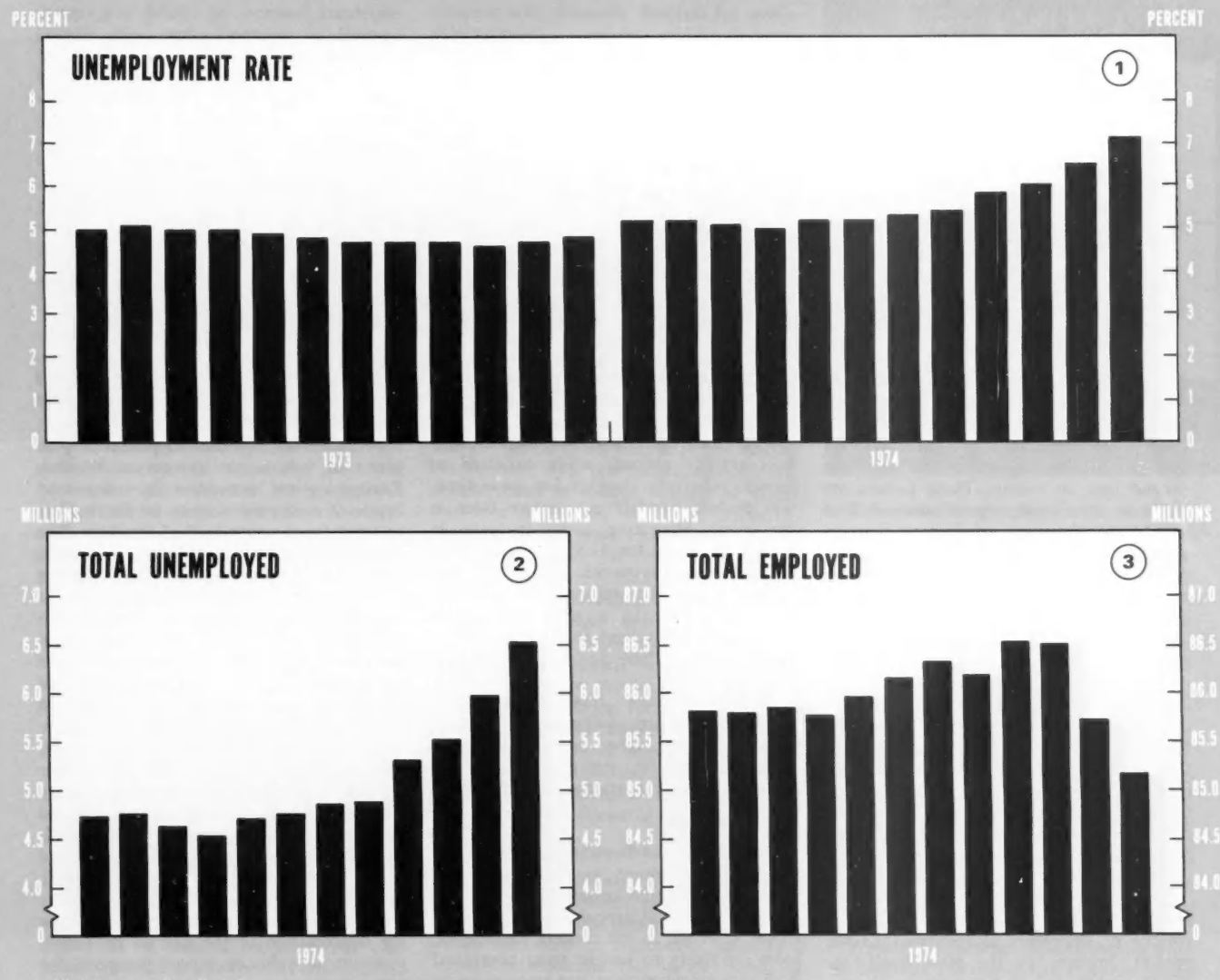
Two factors may mitigate some of the hardship caused by a 7 percent unemployment rate compared with similar high rates in the past. One is the greatly increased participation of women in the labor force. Since women make up a much larger part of the labor force than in prior years, a larger proportion of families have two or more earners. This reduces the likelihood of a large number of families being deprived of all wage and salary income. Larger unemployment benefits paid to a greater percentage of the jobless are also a factor. In addition, a few unions have negotiated "layoff pay" or a guaranteed annual wage. President Ford recently signed a bill to provide money to create 100,000 jobs at the local level, and, more importantly, to increase the duration of unemployment benefits and to extend them to more workers.

Nevertheless, unemployment is a "chilling" word to the man in the street and the effect is magnified during a recession. Today's great exposure of the jobless numbers by newspaper headlines, magazine articles, and television news reports reduces the public tolerance to unemployment. Even the possibility of losing his job is a grim prospect for the person who must support a family.

The unemployed worker experiences a loss of ego satisfaction and his social standing drops. He must live on unemployment benefits, savings, or welfare. This added stress shows up in increases in suicides, alcohol consumption, traffic deaths, thefts, and other crimes. While unemployment data cannot measure the economic cost and social hardship of joblessness, they provide a general barometer that is of great interest to economists, sociologists, politicians, and the general public.

Economists view the unemployment rate as an index of resource underutilization as well as a measure of economic and social hardship. Unemployment indicates unused capacity. When workers are laid off, other factors of production become idle and an output gap emerges. This gap is the difference between potential and actual output. With rising unemployment, the gap widens and the economy falls short of maximizing the level and rate of growth of economic welfare. Production, income and profits are sacrificed.

Economists also analyze the problem by looking at the anatomy of unemployment



during a recession, and they often categorize jobless workers into four basic types: a structural group, a seasonal group, a frictional group, and a cyclical group. Unquestionably, much of the nation's current 7.1 percent unemployment is cyclical in nature: in the coming months, the attention of economists and policymakers will focus primarily upon the current upswing in cyclical unemployment.

The cyclical unemployed are workers who have been laid off because of the general downturn in aggregate demand. They are inseparably linked to the health of the economy. The manner in which a decline in aggregate demand gets translated into rising unemployment is not clearly discussed in the literature. Most economists suggest that firms are forced to reduce production because of the inflexibility of real wages. In other words, real wages do not adjust downward fast enough to give firms an incentive to maintain or expand production; hence, employment declines. It is evident, however, that as an economy moves into a recession, the anatomy of unemployment changes. The incidence of unemployment spreads to all categories of the labor force. As the recession deepens, the proportion of the cyclical unemployed rises, while "quits" and labor force entries and reentries decline in importance.

The adverse effects of cyclical unemployment are not equal for all workers. Cyclical fluctuations are least in the service-producing industries, greater in the manufacturing sector, and largest in contract construction. Cyclical fluctuation is greater for blue-collar or production workers than for white-collar or supervisory workers. In a recession, a larger proportion of the unemployed are adults, males, and union members. The incidence of unemployment is also uneven within an industry as some workers experience declines in their weeks or hours of employment, while others may experience little or no decrease.

As the 1974-1975 recession continues, unemployment data are likely to reflect unequal sharing of unemployment burdens and continued increases in the inequality of the distribution of family income.

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U.S. Trade Deficit To Persist In '75; Oil Conservation To Slow Imports

Economic developments at home and abroad, agricultural prospects, commodity price movements, and expected oil conservation measures in this country portend a trade deficit in 1975 for the second year in a row. These factors are likely to slow trade growth and result in roughly similar rates of increase for exports and imports.

The steep 40 percent advance in U.S. exports last year raised the total to an estimated $98 billion, while imports valued on the usual Customs basis climbed even more sharply—by about 45 percent—to pass the $100 billion mark. Large increases in shipments of capital equipment and farm products were principally responsible for the export expansion. In contrast, oil purchases were the dominant factor in imports, accounting for half of the total advance. The faster rise in imports than exports caused the merchandise trade balance to shift back into deficit from the small surplus recorded in 1973.

Most of the expansion in exports consisted of price increases, although the volume of shipments also showed sizable growth. Imports, on the other hand, declined slightly in volume, both for petroleum and nonpetroleum products.

The outlook for U.S. exports this year is heavily dependent on the course of economic activity in the major foreign industrial countries. Considerable uncertainty exists regarding business prospects in 1975, mainly because of the likelihood of further adjustments to cope with continued high oil prices and persistent inflation in most nations, coupled with sluggish production and rising unemployment. Other key factors affecting export levels this year will be the smaller gains expected in agricultural and aircraft sales.

Demand for imports in this country will be primarily affected by the timing and extent of recovery from the present recession. Based on the latest statements for the 1975 outlook from the Council of Economic Advisers it now appears the volume of imported goods may show a further drop this year.

It would appear that, based on current forecasts, the international economic setting will be slightly favorable in terms of the effect on the U.S. trade balance. Business activity abroad, while expected to remain relatively sluggish for some time, will probably gather momentum later in the year, generating some increase in foreign demand for U.S. products. The gradual foreign economic recovery is likely to precede the upturn in the United States, resulting in a relatively greater stimulus from cyclical forces for the nation's exports than for imports during much of 1975.

Although many international commodity prices are slackening or falling, it is clear that higher prices will nevertheless contribute significantly to the growth of both exports and imports.

Area prospects

U.S. exports to Canada should advance again, though more modestly than last year. Although that country's rate of economic growth will probably not accelerate much, if at all, in the coming 12 months, sales are likely to benefit from continued high investment outlays and some gains in industrial demand. The slump in U.S. and Canadian markets, however, may retard automotive exports to U.S. subsidiaries.

A slowdown is indicated particularly in terms of volume, in exports to Western Europe, given prospects for depressed levels of economic activity in that region, at least for the first half of the year. The recent West German decision to adopt a more expansionary economic policy should aid sales to that country. Exports to France are also expected to show another gain in view of the moderate growth foreseen in its economy. Although demand will continue to be weak in the United Kingdom, capital goods exports should hold up due to the continuing demand for high technology machinery and equipment.

A resumption of growth in Japan after last year's downturn is expected to have a positive effect on U.S. sales. Continued substantial deliveries of agricultural products, at higher average prices, will also add to the export total. The improved U.S. competitive position as a result of the currency realignments of recent years, despite the depreciation of the yen in 1974, will continue to enhance export prospects for some products.

The particularly steep expansion in sales to the nations of the Organization of Petroleum Exporting Countries (OPEC) in 1974 reflected the enormous increase in their foreign exchange holdings and large expenditures on development projects. Shipments to these countries should continue to expand at a rapid rate in the current year as oil revenues mount and investment programs are stepped up.

Among the other developing areas, export prospects appear best in the countries with expanding manufacturing sectors, which will require additional imports of capital equipment and industrial materials. The sharply increased cost of petroleum and food imports, as well as lower export earnings resulting from reduced prices for many raw materials, will tend to restrain demand for U.S. goods.

After a decline in 1974 because of a fall-off in grain shipments to the Soviet

World Trade Outlook

This forecast on 1975 U.S. foreign trade was prepared by the Commerce Department's International Trade Analysis Staff. Current economic conditions and the outlook for U.S. sales in each of 67 regions and countries with which U.S. firms trade are summarized on pages 6-48. These reports, prepared in the Bureau of International Commerce and the Bureau of East-West Trade, are based on information from U.S. Foreign Service Posts, international economic organizations, and other sources.

Data on U.S. trade with countries not covered in separate articles are presented in a table on Page 48.

Union and other East European countries, exports to the socialist countries as a group are likely to resume moderate growth this year. Demand in Eastern Europe for manufactured products and farm commodities should continue to rise, while sales to the USSR may show some recovery. On the other hand, sales of farm commodities to the People's Republic of China are expected to decline because of a better harvest there. A reduction is expected in total sales despite an anticipated increase in deliveries of nonagricultural products.

Nonfarm export gain seen

Further expansion is foreseen in exports of machinery to world markets this year, contributing to the expected rise in nonagricultural shipments. Reflecting continuing U.S. leadership in the computer field and increased incentives for more efficient resource use, foreign demand for data processing equipment and parts will continue to grow. Most of the new growth is likely to be concentrated in less expensive medium and small systems. Sales of oilfield and mining equipment as well as pumps and compressors will also expand as foreign energy exploration gains momentum. Heavy construction and excavation machinery exports will likewise increase, as should those of agricultural machinery because of the urgent need to expand food production.

Refrigeration and heating equipment exports, however, may be retarded by high energy costs and materials handling equipment sales may be slowed as a result of restrained new capital expenditures abroad. Electronic component exports, moreover, will probably decelerate after their steep increase in 1974. The shortage of components in Western Europe in the past two years has been alleviated by a flattening in demand for consumer electronic goods and weakness in auto production there.

The value of civilian aircraft and parts exports will rise at a slower rate than in 1974, with large transport aircraft accounting for most of the gain. Despite failure of passenger traffic growth to meet expectations, deliveries will be made against orders placed some time ago.

U.S. exports of automotive products to Canada may slow substantially in value if passenger car production there is curtailed further in response to the slump in demand in this country. A large portion of these shipments consists of parts for assembly into vehicles which are returned for sale here. Exports of chemicals, particularly plastics and organics, should continue to advance. Higher costs for raw materials based on oil and gas will continue to exert upward pressure on unit values, although to a lesser degree than in 1974. With the worldwide emphasis on increased food production, demand will remain strong for U.S. manufactured fertilizers, but export markets will have to compete with domestic demand for available supplies.

Foreign demand for U.S. coal is expected to expand further. The average price will be considerably higher than in 1974, but is unlikely to double again. Thus, if output sufficient to meet domestic and foreign needs is maintained, a substantial increase in the value of exports can be expected.

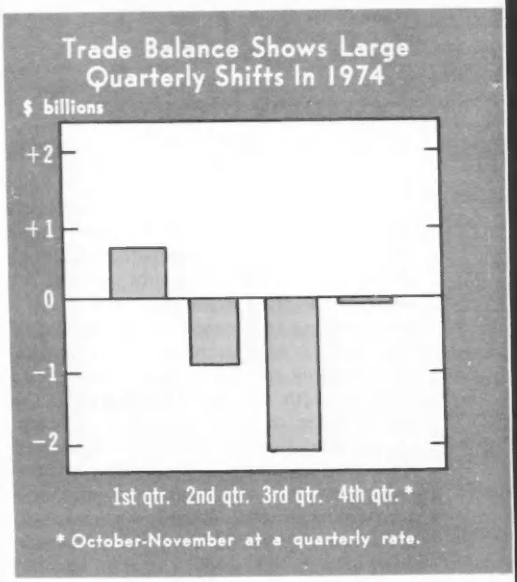
After increasing sharply by more than 25 percent to $22 billion in 1974, U.S. agricultural exports are projected to expand further this year though at a much slower rate. Only small gains are anticipated in view of the limited feed grain and oilseed supplies available for sale abroad.

Record U.S. foodgrain production last fall, coupled with growing world demand and decreased grain output in the USSR, South Asia, and our major competitors, should result in a large volume of wheat and rice shipments, with unit prices remaining at or near 1974 highs. Lower U.S. production of corn and grain sorghums, however, indicates a decline in the volume of feedgrain exports in the first half, though unit values should increase sharply. Similarly, the volume of soybeans and related products available for export will be smaller and prices higher because of strong foreign demand for animal feed and edible vegetable oils. Record world output, larger foreign stocks, and depressed economic activity in major importing areas point to a decline in both the value and volume of cotton exports.

Oil import value to rise

Currently accounting for nearly one-fourth of our foreign purchases, oil will again dominate the import sector. Despite many uncertainties, indications point to a relatively moderate rise in the value of petroleum imports this year. The slump in the U.S. economy and governmental conservation measures are expected to result in a further reduction in the quantity of petroleum imports. The cost of foreign oil on the other hand, will rise further as a result of already announced price increases and higher taxes by OPEC members. These developments would indicate that the increase in the value of petroleum imports could be held to $1 or $2 billion over the $24.5 billion recorded in 1974, when the oil bill jumped by $17 billion.

Among other industrial supplies, imports of steel are expected to climb in value again, because of a rise in price and an increase in quantity. Imports of aluminum declined in volume in 1974, but will probably expand this year since sales from U.S. Government stockpiles have ended. Purchases of copper, zinc, and most metals and ores may rise moderately in quantity and price. A reversal of the



U.S. homebuilding slump could stimulate some increase from depressed 1974 levels in softwood lumber purchases from Canada, but this may not occur before mid-year.

The anticipated slowdown in consumer expenditures, especially for autos and other durable goods, may hold the increase in consumer goods imports to last year's advance of around 10 percent. The value of automotive imports from Canada may decline from 1974 as higher prices fail to offset reduced volume. Imports of cars from Western Europe and Japan will grow at a slower rate in view of high inventories and the dampening effects of price increases on demand. In contrast, some recovery is possible in purchases of consumer electronic products, which declined last year.

Capital equipment imports should grow by less than the one-fourth increase posted in 1974, especially in view of the expected slackening in U.S. investment outlays this year. Machinery imports will contribute most of the expansion; receipts of aircraft and parts are likely to decline.

Food imports will advance further on top of last year's 15 percent climb in value, but probably at a slower rate. Most of the projected expansion will consist of sugar purchases. While U.S. stocks are at low levels and the crop is smaller, import prices will average considerably higher than in 1974. The value of U.S. coffee imports, however, should drop somewhat as greater exportable supplies abroad result in lower prices. Meat entries, which declined last year, are likely to remain sluggish at least through the first half of 1975, since domestic beef supplies are up significantly and their prices relatively low. Demand for imports could pick up later in the year, but the inflow may be limited voluntarily by foreign suppliers.

Canada

Economy Hesitates, But Retains Basic Strength

Trade between the United States and Canada is expected to continue to rise through 1975. Some growth in the volume of U.S. exports is anticipated, although price increases will probably account for most of the rise, as was the case in 1974.

According to Kenneth L. Fernandez of the Bureau of International Commerce, the economy continues to exhibit signs of basic strength although the growth of the first quarter of 1974 has been followed by a period in which GNP has remained static in real terms. No recession is foreseen, however, and consumer purchases are holding up well. Even more important to U.S. exporters, planned capital investment expenditures of major Canadian corporate enterprises for 1975 are up about 30 percent over comparable estimates for 1974.

The surging Canadian economy of the last quarter of 1973 and the first quarter of 1974 turned sluggish in the second quarter of 1974 and began exhibiting several of the characteristics of other industrialized nations: static real growth in GNP, double-digit inflation, lower industrial production, and higher unemployment in most areas. Growth in terms of current prices slowed to the rate of general price increases and some analysts have described the current situation as one of "stagflation." Earlier estimates for real GNP growth for 1974 and 1975 have been revised downward to less than 5 percent in sharp contrast to real growth of 12 percent in the last quarter of 1973 and 7.1 percent for that entire year. During the first nine months of 1974 GNP seasonally adjusted at annual rates rose quarterly from $132,109 million to $136,519 to $142,323 million; however, in constant (1961) dollars it remained almost unchanged, rising slightly from $81,314 to $81,334 million in the second quarter and then fading to its original $81,314 million during the third quarter. Current estimates are that in real terms GNP for 1974 will exceed that for 1973 by 3.8 percent. Estimates for real growth in 1975 range from 1 to 4.5 percent depending on the prognosticator's faith that the federal government will be able to stimulate the economy while restricting price increases.

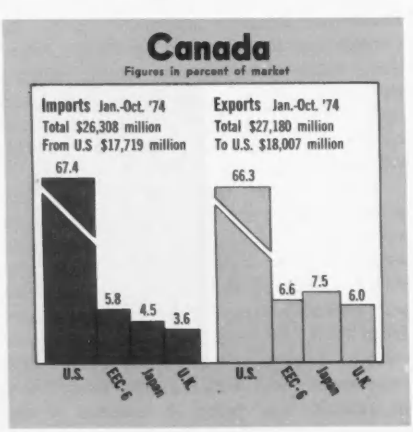
The federal government's ability in this area may well be limited. The Economic Council of Canada's 11th annual report states that the economy has been operating at close to capacity despite an unemployment rate exceeding 5 percent and warns that efforts to spur economic growth beyond the economy's ability to produce could intensify inflation. The Council said that the gap between actual and potential output in Canada largely disappeared in 1973 and that even with more modest growth in output in 1974-76 and with rapidly increasing net investment, capacity will remain tight for some time.

Business confidence remains high. A survey of the investment plans of 220 large Canadian corporations, which account for about 60 percent of Canada's non-agricultural business capital investment, reveals that expenditures planned for 1975 are up 30.1 percent. Estimated actual expenditures by these companies for 1974 were $10.3 billion; planned expenditures for 1975 are $13.4 billion. Buoyant expectations, particularly for the medium term, and resulting pressures to add to productive capacity in time to meet anticipated demand have outweighed the adverse impact of shortages of materials and of labor in certain areas.

Capacity restraints and labor shortages in certain areas have exacerbated domestic inflation. Canada's favorable raw material and energy resources base cannot entirely insulate its economy from the worldwide problem of inflation. Present estimates for Canadian inflation rates in 1975 range around 11 percent. In 1974 high food prices paced the rise in the consumer price index (CPI) but almost all segments of the economy were affected. In September the CPI was up 10.85 percent over September 1973.

Trade is on the rise

Two-way trade between Canada and the United States reached $35 billion during the first ten months of 1974. Imports from the United States were $17.7 billion, up about 30 percent over the same period the year before, accounting for 67.4 percent of total Canadian imports. Although much of the growth can be attributed to higher prices, some volume increases have occurred. Consumer spending has remained strong, as have fixed capital expenditures, and despite some slackening in the economy numerous export opportunities remain for U.S. businessmen, especially in special industrial machinery and other types of capital equipment. The major source of import growth has been in finished goods, with some added strength coming from semi-finished goods. Imports in all categories of industrial machinery and equipment increased significantly.



Current economic development plans in the Province of Alberta concentrate in the petrochemical, iron and steel, agricultural processing, forestry, and coal and coal gasification sectors and secondary manufacturing based on these five resource sectors should result in an increase in United States export opportunities in these areas.

In Quebec there is high interest in such U.S. products as hoists; industrial material and wood-working machinery (including equipment used in building prefabricated homes); machinery for the paper and related industries; electrical equipment supplies and electronic machinery; measuring, analyzing, and controlling instruments; grain handling equipment; and textile machinery. Elsewhere, there are developing markets for construction materials, packaging equipment, chemicals, acoustical materials and upholstery and drapery materials.

A recently completed survey of the market in Ontario for machine tools can be obtained by writing to: OIM/BIC No. Europe Division, U.S. Department of Commerce, Washington, D.C. 20230.

Among consumer products, leisure and recreational items are still in growing demand. Processed foodstuffs, do-it-yourself equipment and electric powered hand tools and a wide range of U.S. kitchen equipment are also in demand.

Canadian exports to the United States during the first ten months of 1974 were also up sharply at $18.0 billion. This represented a rise of about 25 percent over 1973, accounting for 66.3 percent of total Canadian exports. The increased price of oil, including the export charge, was a major factor in the rise in exports to the United States. Third quarter increases in general exports were due to a growth in motor vehicles and parts, which outweighed decreases in all other major groupings.

The first phase of the Foreign Investment Review Act (FIRA) pertaining to the screening of proposed foreign takeovers of large Canadian firms to determine whether they are acceptable as being of "significant benefit to Canada" became operative in April. As of Nov. 11, five takeovers had been rejected, 18 allowed, and three deemed allowed, i.e. no action was taken within 60 days and therefore allowed. No specific reasons were given for rejecting the five proposals. In the near future all new foreign investments, including expansion by established firms into new areas of operation, will be subject to review.

Oil Key To Growth Trends In Latin America Region

U.S. Exports Expected To Top $20 Billion In 1975

U.S. exports to Latin America in 1975 are expected to rise a healthy 28 percent in value to just over $20 billion. This comes on the heels of the remarkable 61 percent increase now estimated for 1974, adds Robert H. Bateman of the Bureau of International Commerce.

While 1975 is thus likely to be a year of more "normal" import growth, economic factors of international scope, such as the continuing petroleum cost squeeze, will make 1975 a rather unusual year in terms of overall economic development. These adverse world economic conditions have brought to Latin America a higher than usual rate of inflation and a credit pinch more severe than usual.

While these factors will be affecting each of the 20 Latin American countries under discussion in different ways, a discernible pattern or trend does seem to exist. This pattern is largely based on how dependent, if at all, a particular country is on imported petroleum. Essentially the region breaks down into the following three groups:

1) Countries such as Venezuela and Ecuador that produce petroleum in sufficient quantities to export it and those like Mexico that are close to self-sufficiency. They are experiencing a rapid rate of economic growth and at the same time are building up their foreign exchange reserves and stepping up public investment to just short of the point where this might cause serious domestic inflationary pressures.

2) Countries like Colombia, Peru and Argentina that produce some oil but not enough to satisfy their more important domestic needs. Their economies are continuing to grow but at the expense of some loss of exchange reserves and some belt-tightening in terms of both imports and government budgetary expenditures.

3) And finally, countries such as those of Central America, Uruguay and to a lesser extent Brazil, that must import all their petroleum needs. They are facing a difficult economic situation, including the probability of a slowed growth rate in 1975. This outlook is tempered by continuing high world market prices for agricultural exports of theirs, especially sugar.

The import implications of each different set of circumstances appears to be as follows. For those countries in the first, oil rich category there will be a strong increase in a broad range of imports. Considerable emphasis is likely to be given generally to importation of machinery and equipment in connection with the many large industrial and infrastructure projects being undertaken locally.

In the second category of countries, those semi-dependent on oil imports, total import growth can be expected to level out in 1975 as the respective governments attempt to dampen import demand, especially for what they consider to be non-essentials. If additional import controls are applied, they are likely to be rather selective, falling lightly for example on the advanced types of capital equipment needed to increase import substitution and step up local production for export.

Those countries in the third, petroleum-needy group are likely to have sagging import demand in all import categories except for equipment directly related to export agriculture and/or mining and those large development projects financed by international lending institutions like the World Bank.

Brazil is an exception

Brazil is an exception to this last category in that it will continue to receive direct investment and other capital inflows sufficient to support a much broader range of industrial activity. Import demand for machinery and equipment of types presently not produced in Brazil is thus likely to grow slightly. Foreign exchange availability will be aided by abundant harvests that will reduce the local demand for agricultural imports. (Wheat has been a very important U.S. export to Brazil.) Also, there will be a drawing down of excess local inventories of certain products, including steel, paper and fertilizers, that were stockpiled during 1974.

The U.S. competitive position in Latin America has improved over the last year, primarily due to higher rates of domestic inflation than ours in the economies of most major competitors. So the U.S. share of the Latin America market should hold its own in 1975, providing there are no major currency realignments.

To help pinpoint the types of goods having the best potential in any particular Latin American country, a U.S. supplier should check with the respective Country Marketing Manager in the Bureau of International Commerce's Office of International Marketing. The information resources at his disposal include reports on marketing in the area, U.S. Foreign Service industrial outlook reports, product market research, and special studies such as the recent *Brazil Survey of U.S. Export Opportunities.* Also, the Country Marketing Manager is in a position to advise U.S. firms of promotional events in his area that could serve as a vehicle for market penetration.

There are some recent regional developments of note. A number of infrastructure projects involving more than one country are coming to fruition in the River Plate area. These include a dozen major hydroelectric power stations, of which the three most important are Salto Grande, Yacireta-Apipe and Itaipu (to be the largest in the southern hemisphere). Besides contributing to further import demand in the area, these dam and highway projects mark the beginning of what may be a new era in Latin economic cooperation. Also new in regional economic relations, Venezuela is taking a greater interest in its Central American neighbors. Part of the receipts of Venezuelan oil sales to Central America are to remain in these capital-short countries to serve as the basis of a Venezuelan aid program. Furthermore, Argentina has signed an agreement with Uruguay providing for gradual reduction of Argentine tariff and non-tariff barriers for the entry of a broad range of non-agricultural imports from Uruguay. This agreement, which took effect on Jan.1, also provides for similar preferential treatment for Argentine goods on the part of Uruguay beginning in 1976.

The Andean Common Market (Ancom) made progress in a number of areas in 1974, and this momentum is expected to carry through this year. Ancom accomplished a significant liberalization of trade among member countries through duty reductions. Also, a regional agreement was reached on the transfer of technology, covering trademarks and patents. Less successful were efforts to reach agreement on three industrial sector development programs (second phase metalworking, automotive, and pharmaceutical). Little movement of any kind, however, has been evident of late in either the Latin American Free Trade Area (LAFTA) or the Central American Common Market (CACM).

Latin America will receive increased attention from U.S. investors in 1975. This is the implication of a June survey conducted by the U.S. Department of Commerce's Bureau of Economic Analysis, the results of which were published in the September *Survey of Current Business.* The survey was taken to determine projected capital expenditures by U.S. majority-owned foreign affiliates in various industries and throughout the world. It shows that this investment is expected to grow 38 percent in Latin America in 1975. This compares with an average projected 19 percent expansion in other areas of the world.

Ancom

Oil Makes Venezuela A Top Market For U.S.

U.S. exports to the six Andean Common Market countries should grow in 1975 to nearly $5 billion, due mainly to the oil revenues of Ecuador and Venezuela. Venezuela accounts for nearly 50 percent of area imports and presents the best market for U.S. products. Industrial and infrastructural projects will spur demand in the Peruvian and Bolivian economies. The positive overall picture will be affected by an economic slowdown in Colombia, the constraints on foreign exchange availabilities in Chile, and relatively weaker prices for copper and tin.

Bolivia. A solid reserve and balance of payments position is based on strong exports and high prices of minerals, petroleum and agricultural products. Extensive foreign credits combined with export earnings are spurring major developments in petroleum, natural gas, pipelines, steel and other metals, roads and agriculture. Weakening tin prices may slow the economy's advance some, but 1975 will be another good year. Best export opportunities lie in the above major project areas.

Chile. U.S. exports to Chile amounted to an estimated $380 million in 1974 and may increase 15 percent in 1975. Effective demand for imports is uncertain, since world prices for Chile's principal export, copper, are down sharply and Chile's income from this source is likely to be considerably lower in 1975. At present, most imports continue to be permitted under relaxed trade controls.

Colombia. U.S. exports to Colombia may rise 15 percent in 1975 to $760 million. Colombia has recently enjoyed an economic boom with strong agricultural and industrial output, a high level of government investment, a rapid growth of non-traditional exports and favorable coffee prices.

Inflation rose 25 percent in 1974, and the government initiated measures to balance the budget, reduce inflation, improve social benefits, raise agricultural production and develop energy sources. Many businessmen have adopted a wait-and-see attitude and some investment decisions have been postponed. A 20 percent decrease in foreign exchange reserves in late 1974 may lead to restrictions on the issuance of import licenses. Nevertheless, the reactions to the new economic measures are believed transitory.

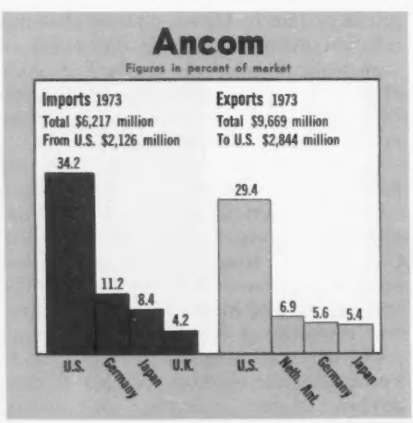
Ecuador. U.S. sales should increase 35 percent in 1975 if Ecuador continues to benefit from high world petroleum prices. Ecuador's trade policies permit a wide range of products to be imported. Of particular interest are the many development projects under way or planned for the near future. These include irrigation, water and sewage construction, highway construction, electrification, and air and seaport construction and modernization. The agricultural sector is to receive some $400 million in investments from the government to revive lagging food output.

Peru. U.S. exports to Peru are estimated to increase by about 25 percent in 1975. Despite extensive import controls, the Peruvian market offers good opportunities for sales in major development projects, including the huge Cuajone copper development—$500-$600 million in investments—and the building of a trans-Andean oil pipeline. Numerous government projects are designed to provide basic economic infrastructure.

Foreign competition is keen in the Peruvian market. Credit requirements on capital goods valued at $10,000 or higher require financing terms of 6 months up to five years.

Venezuela. Preference for U.S. goods, an active government economic program, and the $10 billion inflow from petroleum exports should improve prospects for sale of U.S. manufactured goods in 1975. U.S. exports to Venezuela increased 60 percent during the first 7 months of 1974 and are expected to total $1.6 billion, or approximately 45 percent of the market, in 1975. To lessen the impact of inflation (expected to reach 23 percent in 1974), approximately 50 percent of the petroleum bonanza will be invested outside Venezuela or loaned to international development banks.

Government development programs and plans to purchase equipment and materials abroad should give U.S. firms an excellent opportunity to increase sales in the following sectors: metallurgy, petrochemicals, communications, power generation, health care, materials handling, construction, port facilities, aviation, shipbuilding, and manufacturing. Easy credit to farmers should expand imports of field machinery and other equipment.



Argentina

Foreign Trade Levels Reach New Records

Argentina's foreign trade may well reach new record high values in both 1974 and 1975. Imports have hit new high annual dollar values each year since 1969, and might approximate $3.7 billion in 1975. Exports attained new high dollar values each year starting with 1972.

The overall favorable outlook for Argentina's foreign trade, as seen by George M. Pollard of the Bureau of International Commerce, is supported by favorable prospects for agricultural harvests and livestock herd developments and for mostly favorable trends in international markets. Argentine production and export of manufactures also continues notable expansion.

Argentine economic growth is reported at 5.4 percent for 1973 and estimated at 6 percent or better for 1974. Growth in 1975 should approximate the 1974 rate.

Recent economic growth has been favored by strong domestic consumer demand, good agricultural results, and an exceptionally favorable balance of payments situation. Industry has been operating at a high level of capacity but new capital investment in plant and equipment is much needed to maintain expansion of output. Many private industrial enterprises face a variety of problems, for example, low corporate profitability resulting in large part from the operation of price controls, shortages of raw and intermediate materials, limited new capital investment, and rising inflation which reached an annual rate of around 30 percent in October. Items in particularly short supply in 1974 included chemical and petrochemical products and plastics, and paper and paper products as well as iron and steel and other basic metals. Difficulties were experienced in obtaining critical imports needed by the chemical, glass, ceramics and paper industries.

The Argentine Economics Minister appointed in October directs a new governmental economic team and enjoys strong domestic support and a favorable international reputation. The new economic administration seeks to limit inflation through greater monetary and fiscal restraint and by other measures to limit excessive purchasing power and to increase domestic output. Private enterprise is being encouraged by gradually bringing greater flexibility into price and other economic controls. Greater investment of private capital and less centralization in economic decision making are being encouraged. If more favorable profit levels can be established, shortages of raw and intermediate goods and of other critical

items should be significantly alleviated. In the near future, however, Argentina will not be without formidable economic problems and political factors which affect available options.

Argentina's balance of payments surplus for the first half of 1974, $596 million, was short of the very favorable surplus of $731 million for full year 1973. Gold and foreign exchange reserves at the end of October, at $1,593 million, represented a marked reduction from the $2,011 million at the end of June, but well exceeded the 1973 year-end figure of $1,462 million.

Price developments apparently have not had significantly adverse effects on the competitiveness of U.S.-supplied goods in the Argentine market. Markedly higher prices for the imported component of Argentina's petroleum supplies have tended to reduce the U.S. share of total Argentine imports. This U.S. share was maintained in 1973 at well over 21 percent.

Sales potential for U.S. suppliers of equipment and apparatus is best in lines which can be used to improve Argentine rates and quality of output. However, despite the relatively high technological level of much of the Argentine market, it cannot yet absorb the ultimates in output capacities or in sophistication of performance in all lines of goods. Continued strength is anticipated in demand for modern and high quality packaging machinery and process control instruments and equipment. Other goods for which sales potentials are most promising include items needed for improving services such as communications, education, health care, and environmental protection and for increasing Argentina's output of petroleum, natural gas, coal, chemicals and petrochemicals, electric power, and steel.

Four United States Government sponsored trade promotion projects are scheduled during the first half of 1975; a chemical industry equipment trade mission and a laboratory equipment seminar for health care in April, and a plastics processing equipment catalog show and a data communications seminar in May.

Brazil

Import Policy Adapted To World Conditions

Total U.S. exports to Brazil are likely to increase only 10 percent in 1975, considerably less than the unprecedented 70 percent rise of 1974. While Brazilians this year must restrain the hectic import growth of 1974, prospects for U.S. exporters, and particularly exporters of machinery and equipment, remain excellent, according to Robert Bateman of the Bureau of International Commerce.

Brazil finished 1974 with a balance of trade deficit approaching $5 billion. This was the result of a 100 percent increase in the value of total imports (from $6 billion to $12 billion), coupled with a 20 percent increase in exports. While much of the import jump was attributable to the leap in the world price of crude petroleum, capital goods imports grew almost equally fast.

Owing to a healthy foreign exchange reserve position and a continuing, if somewhat diminished, inflow of capital in the form of loans, supplier credits and direct investment, Brazil's economy weathered the storm in reasonably good order in 1974. GNP growth apparently again hit 10 percent, and the inflation rate that had started climbing precipitously at the beginning of the year was reduced to a more manageable level by year end (about 1.5 percent per month).

Although a high rate of growth continues to be of great importance to the government, officials recognize that it is not something to be maximized at all cost. Finance Minister Simonsen, for example, has stated that given the present international situation a Brazilian GNP growth rate in the 6-7 percent range may be anticipated for 1975, about five percentage points higher than that expected in major developed countries in 1975. Simonsen has also predicted a 1975 trade deficit of only $2 billion. Various factors support this prediction: a record wheat crop, which will reduce import demand for the U.S.'s single most important export to Brazil; anticipated higher receipts from agricultural exports; and excess local inventories of such products as steel and fertilizers which are likely to be drawn down in 1975, cooling import demand in these areas as well.

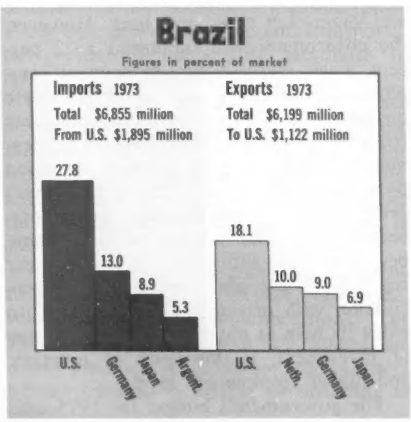
To assure a manageable trade deficit this year, the government is taking steps to slow the growth of total imports in 1975, apparently to hold them to approximately the 1974 level. Besides raising the duty rates on "non-essentials," the government has administratively strengthened existing directives to restrict imports by public entities and mixed (government and private) enterprises. These entities account for about half of total imports. In another step the government suspended for a year the Custom Policy Council's authority to grant 50 percent reductions on import duties for capital goods that have no domestic "similar."

It should be emphasized, however, that Brazilian import policy continues to be carefully tailored to the country's overall economic needs. If, for example, imported heavy capital goods are needed to expand the local capital goods industry along the lines of recent government pronouncements, these particular imports, i.e., capital goods to make capital goods, will be allowed to grow in a virtually unhindered manner.

In this context, Brazil will undoubtedly continue to import in large quantities advanced types of machinery and equipment for the very large industrial investments called for in the recently published 1975-1979 National Development Plan. Therefore, U.S. capital goods' suppliers can expect market growth this year in excess of the 10 percent forecast for total United States exports to Brazil in 1975.

While prospects for many U.S. exports are thus believed to be excellent, in immediate coming months U.S. suppliers may have to bear with a slight slowing down in the mechanics of exporting to Brazil as various administrative measures are taken by that country to rationalize import growth.

Brazil's economic outlook received a shot in the arm with the recent announcement of what appears to be a very large petroleum deposit off the Campos coast near Rio de Janeiro. This development has not only boosted local business confidence, but is also expected to have a salutary effect on the inflow of foreign capital. That is not to say that Brazil has lost some of its appeal to foreign lenders and investors; the most important factor in the reduced capital inflows of recent months appears to have been the worldwide shortage of loan funds rather than Brazil's economic situation.



Mexico

Trade At Record High; U.S. Maintains Its Share

Preliminary data point to record highs in Mexico's foreign trade levels in 1974, and Mexico should remain the largest customer for U.S. products in Latin America and fifth largest in the world. Paul S. Flores of the Bureau of International Commerce expects a continued sharp rise in Mexican imports as industrial and economic growth continues at an accelerated pace.

Mexico will continue its traditional dependence on large-scale imports of capital goods and raw materials to nourish rapid industrial growth and to sustain the steady expansion of the country's economic infrastructure during 1975. Rising earnings from tourism and exports, especially new exports of petroleum, plus continued availability of international credits will enable Mexico to pay for its steadily increasing import bill in the foreseeable future.

High GDP growth

Preliminary indicators point to a GDP growth of about 6.5 percent in real terms in 1974 as compared with 7.6 percent in 1973. The outlook for 1975 is for a relatively high growth rate, probably in the 5 to 6 percent range, as the government continues high expenditures in the agricultural, energy, chemical and petrochemical, transportation, communications and other sectors vital to the nation's economic health.

Relations between the government and private business, which had improved during the first part of 1974, began cooling off in the latter part of the year as the government took several actions intended to combat inflation and to support labor demands for higher wages. Inflation control measures included a tightening and extension of existing price controls; a 30 percent increase in rail freight rates; and enactment of a fiscal reform package that raised taxes on certain consumer items such as gasoline, automobiles, restaurant and night-club tabs, and beer. However, the government also supported a 22 percent wage increase for government employees as well as labor in general. Private business, feeling an economic squeeze from these measures, criticized the government's failure to curb inflation. Inflation probably registered an increase of 25 percent in 1974, about the same as the preceding year. The present administration, beginning the fifth year of its six-year regime, will probably seek an early reconciliation with private business in order to enlist its help in obtaining a higher degree of investment, a slowdown of inflation, and higher employment levels.

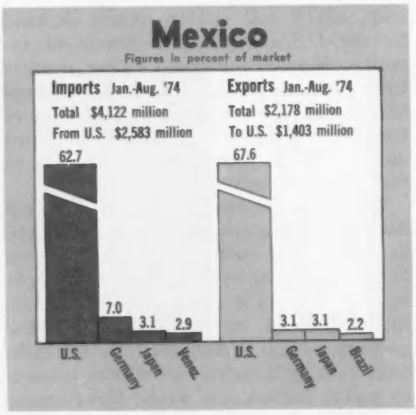
The government's budget for 1975 calls for expenditures of $23.9 billion, up 29 percent over the 1974 budget. The budget, which includes expenditures for the federal government and for the major decentralized government agencies and state-owned enterprises, does not appear to be excessively out of line with the needs arising from the country's fast-growing population, now more than 58 million.

New import and export tariffs have been sent to the Mexican congress and will probably be in effect early in 1975. The import tariff will increase duties on non-essentials and lower or eliminate them on essentials. Press reports indicate that the new tariff will consist of 7,281 tariff items, 4,198 less than the present one. The new export tariff will be adapted to the Brussels Tariff Nomenclature (BTN), to conform to the import tariff which has used the BTN system since 1965. The export tariff will be structured, duty-wise, to stimulate exports. For example, the Congress proposed that the duties on exports of cotton and shrimp, which have been experiencing difficulties in international markets, be reduced or eliminated and that the duty on exports of crude oil be increased to 50 percent of the value.

Sustained high-level exports to Mexico enabled the United States to maintain its market share at about the 62.8 percent figure attained in 1973. The closest competitor was West Germany with a share of about 7 percent based on 8 months data.

Best sales prospects will continue to consist of machinery and equipment for industry, especially of types with a high technological content. These goods, together with capital goods, such as transport, power and communications equipment needed for the expansion of Mexico's economic infrastructure, traditionally account for nearly half of total imports.

In 1975, the U.S. Trade Center in Mexico City will hold nine exhibitions. Space is still available in exhibitions with the following themes: pharmaceutical production, medical care, pollution control, metallurgy, construction, business efficiency, and quality control.



Caribbean

Sales To Area Markets Grow At Rising Rate

U.S. exports to the six major Caribbean markets will probably exceed $1.7 billion in 1974, an increase of 40 percent over 1973. This increase is attributed by John Garner of the Bureau of International Commerce to rapidly rising prices of U.S. exports and increased government and private revenues resulting from higher prices for sugar, bauxite, and petroleum which have been translated into increased demand for consumer items and also industrial goods for implementation of recently initiated development projects.

In addition, in 1974 the Caribbean Common Market (CARICOM), gave special attention to rationalization of the agricultural sector, and to maritime and air transport services in the region; to formalization and implementation of price and income policies; to evaluating the effects of the energy crisis on the economies generally; to coordination of national and regional programs in the fields of agriculture and industry; and to tariff negotiations with the European Economic Community and GATT. Expansion of CARICOM economic development activities resulting from actions expected during the first Caribbean Heads of State Meeting in the spring should result in additional opportunities for U.S. exporters of goods and services to CARICOM member countries—Barbados, Guyana, Trinidad and Tobago, Jamaica, Belize, Dominica, Grenada, Montserrat, St. Lucia, St. Vincent, Antigua and St. Kitts/Nevis/Anguilla.

Country developments

Bahamas. The third largest Caribbean market should provide U.S. exporters with $275 million worth of sales in 1975 compared with $253 million in 1974. Major export opportunities continue to be equipment for an oil refinery, oil exploration and oil transport terminal equipment, a ship repair facility, and equipment for improvement of water and sewerage systems. More than 1.6 million tourists will generate continued demand for consumer goods, better hotel facilities, restaurant equipment and some sporting goods.

Dominican Republic. This should remain the largest market for U.S. exports in the Caribbean in 1975. Sales for the year are estimated to reach $460 million. The Dominican Republic has received some $100 million in foreign loans—mostly for dam construction, port improvement, expansion of electric power and increased water supply, road building, maritime communications, airports and school construction. Other good sales prospects are in energy systems, food

processing and packaging equipment, business equipment and systems, and sports, leisure and tourism equipment.

Haiti. This is becoming a sizable market for U.S. exports. Sales are expected to reach $150 million in 1975, compared with $125 million in 1974. International loans will be expended on the north and south road projects and in expansion of port facilities, the fishing industry, health centers and telecommunications. In addition, bilateral and international assistance is expected to result in significant demand in the agricultural sector.

Jamaica. U.S. sales in the second major Caribbean market for U.S. products are projected at about $381 million for 1975. Major development projects expected to come on stream in 1975 include significant expansion in the alumina industry and development of one of the phases of the Luana refinery complex. In addition, extensive foreign credits have been obtained for sectoral development such as agriculture and housing.

Netherlands Antilles. Curacao and Aruba are the principal markets in these islands. U.S. exports are projected at $206 million, up from $188 million in 1974. Significant export possibilities include capital goods for expansion in the electronics industry, purchase of a large crane and pipe handling equipment for use in the shipbuilding industry, and equipment for petroleum refinery expansion.

Trinidad and Tobago. U.S. exports to these two islands could reach $235 million in 1975, compared with $196 million in 1974. Government plans call for investment of $1 billion in energy related industrial development over the next few years. Plans include a natural gas pipeline, huge power plant, aluminum smelter, iron and steel plant, and petrochemical complexes.

Other Markets. U.S. exports to the other Caribbean markets may reach $360 million in 1975. Estimates by country in millions are as follows: Bermuda, $70; Surinam, $80; Guyana, $73; Barbados, $40; French West Indies, $38; Leeward and Windward Islands, $35; Belize, $20; and French Guiana, $4.

Caribbean Imports

	Year	From world	From U.S.	U.S. share
		$ millions		%
Bahamas	1972	485	138	28.4
Dom. Rep.[1]	1973	423	321	53.8
Jamaica	1973	669	260	38.9
Trin. & Tobago	1973	778	123	15.8

[1] f.o.b.

Cent. America

Higher Cost of Energy Hits Area Economies

Double-digit inflation within the Central American Common Market (CACM)—Costa Rica, El Salvador, Honduras, Guatemala and Nicaragua—was a dominant economic factor in 1974. Corrective monetary and fiscal policies, coupled with recessionary trends in the United States and other export markets, will lead to a decline in the region's economic growth rate in 1975 (estimated at 5.6 percent in 1974) and an accompanying decline in the growth rates of imports and exports. While the dollar value of U.S. exports to these countries will increase in 1975, the U.S. suppliers' share of the Central American market will show only modest gains, according to Walter Bastian III of the Bureau of International Commerce.

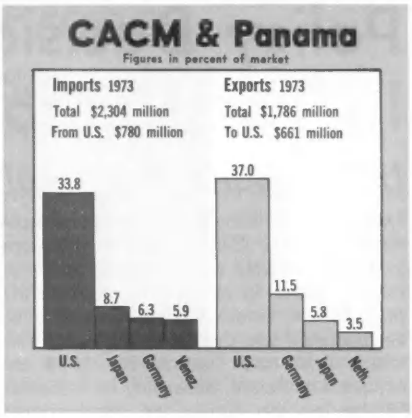
The cost-push inflation in the CACM is attributable primarily to the high cost of petroleum and petroleum products and is reflected in the increase in import costs in 1974. Estimated inflation figures run from a low of 10-15 percent in Honduras to a high of 30 percent in Costa Rica.

While there is an apparent lack of agreement within the CACM regarding the best approach in dealing with inflation, there has been a general tightening of credit in the region. Some long-term construction projects have been postponed, but temporarily, at least, existing projects seem sufficient to sustain this sector. Positive efforts are being undertaken to develop alternate means of power—hydroelectric and geothermal. Some of the effect of the spiraling prices has been offset by receipts collected on the export of certain agricultural commodities. Sugar prices are up and cotton prices, while falling, are above the levels of three years ago.

Dominating the Central American news in September was Hurricane Fifi. While the effects were felt to varying degrees in the region, Honduras, with an estimated $500 million in damages, was the hardest hit. Ironically, certain areas benefited from the torrential rains, which aided agriculture and improved prospects in rice, sugar, and coffee.

While only preliminary market share information is available, indications are that the U.S. share of the CACM trade has picked up over a year ago. Intra-CACM trade increased across the board in 1974 in dollar volume.

The upcoming year in the CACM will see continued inflation and reduced spending, the latter brought about by tighter credit and a decrease in the purchasing power of lower income groups. This will lead in turn to a decrease in real growth. Agreements signed in December between



Venezuela and the CACM countries and Panama should offer some relief from the high energy import bill, as a part of the payment will remain in the individual countries and serve as the basis for a Venezuelan-sponsored foreign aid program. Additionally, under the same plan, funds will be allocated to finance a coffee retention plan aimed at maintaining a high price for this commodity. Demand should continue in the region for agricultural equipment, irrigation equipment, and other items used in export agriculture.

Integration of the CACM has not made much headway. Preferential trade agreements between Honduras and Nicaragua, Costa Rica, and Guatemala remain in effect. Talks to settle the dispute between Honduras and El Salvador have been postponed at the latter's request.

Close ties with Panama

Panama, while not a member of the CACM, maintains close ties through participation in a number of CACM institutions as well as through bilateral treaties with all market members except Honduras.

As with the rest of the region, Panama is suffering from the effects of increased petroleum prices and imported inflation, which are reflected in Panama's negative balance of payments. However, Panama differs from the CACM countries by the diversity of its economy. Panama plays a key role as a local trade and transportation center. Panama City continues to develop as a banking center.

Of particular interest in Panama are development of the Cerro Colorado copper mine project, believed to be one of the world's largest known copper deposits, and the new Panama Canal Treaty with the United States which is expected in 1975.

Investment opportunities in Panama exist in the fields of tourism, power development and telecommunications. The Panamanian Government has announced it will intervene in economic sectors where private business is unable or unwilling to invest.

Policy Decisions Play Role In West Europe Prospects

U.S. Exports Are Likely To Increase This Year

Despite a slowdown in European economic growth, U.S. exports to Western Europe are likely to increase in 1975, in real as well as in nominal terms. The rate of increase, however, will probably be considerably less than the 30 percent rise which final trade returns for 1974 are expected to record, according to J. Robert Wilson of the Bureau of International Commerce.

The structure and price competitiveness of U.S. exports were such as to generate strong sales in 1974 even though the general performance of most of the European economies was disappointing. Price and wage inflation, balance of payments deficits induced by the high cost of oil imports and rising unemployment combined to produce a climate of uncertainty.

The situation deteriorated as the year progressed and most of the major countries experienced a reduction in their rate of economic growth. Only in the United Kingdom, which had a dismal first quarter due to the coal miners' strike and the three-day work week, did GNP growth pick up in the second half of the year. Nevertheless, demand remained strong for American farm products and both capital and consumer goods. The depreciation of the dollar vis-a-vis most of the European countries resulting from the earlier currency realignments was generally maintained.

Although both consumption and investment demand have eased, most governments have been fighting a losing battle against inflation. Whereas in 1973 nine of the 19 Western European economies suffered from double-digit inflation, in 1974 all but two—Germany and Sweden —were in this unenviable position. Of the large countries, Italy and the United Kingdom were the least successful in combatting inflation; the increases in their consumer prices approached 20 percent.

Few observers are optimistic about prospects for real relief in 1975. Although prices of internationally traded industrial raw materials have declined dramatically, the news from the wage inflation front is alarming. Employee demands for wage increases to maintain their purchasing power have become an important inflationary force. Moreover, an increasing number of governments now feel compelled to combat rising unemployment as well as inflation. The number of unemployed in the EEC in November was 3.5 million, one million more than a year earlier. West Germany and Denmark showed the most striking increases and Italy had the highest number of jobless workers.

The heads of the EEC governments, at their summit meeting in Paris in December, declared that the aim of their economic policy is "to combat inflation and maintain employment." They hailed Germany's program for stimulating public and private investment and praised reflationary policies taken or proposed by the Netherlands and Belgium. In November the United Kingdom introduced various budgetary measures designed to stimulate private investment.

Governments suffering from severe balance of payments deficits are inhibited from shifting to strong, comprehensive reflationary policies. Italy, for example, has narrow policy options and will probably give priority to the continuation of its stabilization measures. The Italian external deficit is being financed with assistance from its EEC partners and from the International Monetary Fund. Economic policymakers will face a most challenging task in Europe throughout 1975.

So far the 24 members of the Organization for Economic Cooperation and Development (OECD) have honored their pledge of last spring to refrain from taking protectionist trade measures. With most countries striving to increase their exports, the proponents of import restrictions will continue to be active. Fortunately, the United States' adoption of the Trade Act of 1974, by paving the way for participation in the multilateral trade negotiations, should serve to support the maintenance and strengthening of the system for expansion of world trade.

The energy problem

Creation in mid-November of the International Energy Agency within the OECD provides the major industrial nations with a forum for coping with the energy crisis. France, although not a member, has agreed to consult and cooperate.

In December the European Economic Community took a major step toward a common energy policy aimed at reducing member states' dependence on imported oil. Agreement was reached on the objective of reducing the EEC's dependence on outside sources of energy from the current level of 61 percent to 50 percent by 1985. An even sharper reduction is targeted depending upon greater reliance on natural gas and nuclear power. As is already the case with the development of North Sea oil and gas, American technology and equipment can make a significant contribution. Equipment for offshore drilling and producing platforms has been in heavy demand.

Last year the European Economic Community was mainly engaged in preserving its past achievements, essentially the customs union and the common agricultural policy, rather than in striving to achieve a greater degree of integration. This defensive posture reflected many considerations, of which one was the problem of the U.K. intention to renegotiate the terms of British entry into the European Economic Community.

Until this situation is resolved, the British will be disinclined to participate in any major EEC initiatives. Some progress has been made in the British negotiations, particularly on the question of British contribution to the EEC budget, but much bargaining remains. In addition, the results are expected to be the subject of a popular referendum in the United Kingdom.

While uncertainty in this regard will linger long into 1975, the EEC will participate actively in the imminent multilateral trade negotiations.

Community business activity

Although the Community has failed to move decisively toward economic and monetary union, it continues to take many actions affecting the business environment. Its antitrust enforcement is vigorous, it is moving toward a common approach on environmental protection and there is appreciable activity in the industrial policy area, including harmonization of industrial standards and cooperation in developing the data processing and aircraft manufacturing industries. Moreover, a European Regional Development Fund has just been established. This Fund, which will disburse $1.6 billion over a three-year period, is intended to assist needy areas, especially those in Italy, Ireland, and the United Kingdom.

The Community has been busily engaged in commercial policy negotiations. The existence since 1971 of a generalized scheme of preferences for the developing countries has not allayed their interest in special preferential arrangements or association. Negotiations with over 40 African, Caribbean and Pacific countries for association are well advanced, as are those with several Mediterranean countries for preferential trade agreements.

Within Europe the industrial free trade agreements between the nine-member EEC and the seven EFTA countries—Austria, Finland, Iceland, Norway, Portugal, Sweden and Switzerland—are operating satisfactorily. Tariffs have been reduced on schedule. Thus, the outlook is for a 16-member free trade area for most industrial goods by July 1, 1977.

Belgium

Slowdown Anticipated As Policies Take Hold

Despite a high level of economic activity in Belgium the first three quarters of 1974, indicators foretell a slowdown in the economy, lasting well into 1975. This slowdown is due in part to monetary policies introduced by the government during the summer of 1974, designed to dampen domestic demand and reduce inflation. Since Belgium's imports and exports each equal nearly one-half of its GNP, the projected economic downturn should slacken the country's trade activity over the near term. Nonetheless, the outlook for U.S. exports to Belgium is promising in certain key sectors where local demand is still growing, according to Bobette K. Orr of the Bureau of International Commerce.

Belgian GNP for 1973 amounted to $45.5 billion, a 13.4 percent increase in current prices and a 5.7 percent increase in real terms above the previous year. A diminished real growth of 4.5 percent is estimated for 1974, and the Belgian Government is projecting real 1975 GNP growth at a modest 3-4 percent. Activity during the first quarter of 1975 may fall considerably below this level, but officials anticipate a limited revival by late 1975.

Anti-inflation plan

Prospects for sustained economic growth in Belgium rest on the country's ability to fight successfully an increasingly serious rate of inflation. The Belgian cost of living index has registered an increase as high as 15.5 percent during 1974, exceeding the 13 percent average increase for all OECD countries. If such a trend were allowed to continue, it could jeopardize Belgium's vital competitive position in world markets. Therefore, the government has been pursuing a variety of monetary, fiscal, and price control programs, designed to help control inflation and reduce its rate of growth to an annual rate of 12 percent for 1975.

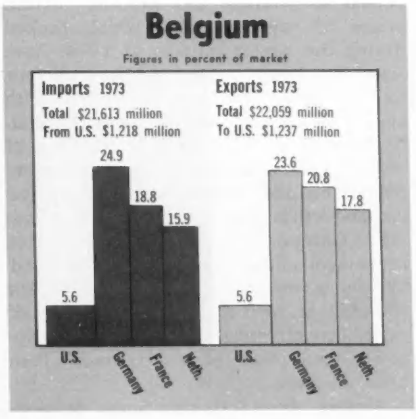
As part of its anti-inflation campaign, the Belgian Government is relying heavily on monetary policy, by increasing the discount rate and bank reserve requirement and imposing a ceiling on bank loans. These moves represent a severe cutback of available credit. In the framework of price policy, a bill to limit rent hikes is expected to be confirmed by the parliament. Fiscal measures include increases in taxes on very high personal incomes and on corporate income. Also, an increase in the private motor vehicle road tax has been proposed, which could impact adversely the sales of U.S. automobiles in that market.

Growth in industrial production, mainly in the housekeeping, car assembly, electric construction, and textile sectors is decreasing. Both domestic and foreign orders are declining, and the number of unemployed has climbed to 105,000, or 3.9 percent of the labor force. Finally, notwithstanding a surplus in the overall balance of payments, the trade balance is deteriorating.

In connection with this cyclical downturn, the Belgian Government is aware that too strong and restrictive anti-inflation policies could accelerate the trend. Consequently, additional measures are expected favoring Belgian exports and arranging credit facilities for small and medium-size companies.

Another key element is economic developments outside the country. Economic activity in West Germany, Belgium's largest trading partner, is very influential on developments at home. Belgian economic revival will also depend on the resurgence of external economic activity and demand throughout Western Europe.

U.S. exports to Belgium through October jumped 42.5 percent over 1973 totals, by U.S. figures. The market share below reflects much earlier Belgian statistics; it is now at 7 percent. U.S. exports have centered on agricultural commodities, minerals (mainly coal), and high technology goods. In spite of the current inflationary atmosphere, Belgium's highly industrialized economy continues to offer a solid, long-term market for high technology equipment in the transportation, information processing, and energy sectors. Particularly, opportunities appear promising for U.S. exporters of computer software, peripherals and mini-computers, business systems to help automate operations, pollution control instrumentation and equipment, electronics production equipment, avionic and navigation equipment, and process control instrumentation. U.S. manufacturers of pollution control systems may increase their sales to the Belgian market by participating in a U.S. Commerce Department-sponsored trade mission scheduled for April.



France

Sales Will Be Steady As Economy Slackens

French imports from the United States should increase about 13 percent in value in 1975 as compared with an estimated 21 percent increase in 1974, as the French economy continues to expand, but at a slower rate than in recent years. French economic growth is forecasted to slow down in 1975 to 3-4 percent as opposed to an estimated 4.75 percent increase achieved in 1974. Still, the French growth rate will be one of the highest among industrialized nations this year, points out Anita F. Brownstein of the Bureau of International Commerce.

The growth slowdown, which began in late 1974, was caused primarily by credit restrictions and high interest rates and worsened by a two-month mail sorters' strike. French Government stabilization policy at that time was designed to reduce internal demand to curb inflation and reestablish equilibrium in the oil-aggravated balance of payments, while maintaining full employment. This policy was consistent with the long-term goal of rationalizing French industry and re-orienting it towards exporting.

As a result of this policy, certain firms have been experiencing financial difficulty. Although the government has selectively aided certain industries (e.g., automobile), it appears willing to allow the present slowdown to take its toll of enterprises which it determines are not viable.

Despite the relative success of stabilization measures, unemployment has been growing at unacceptable rates. To reestablish full employment, the government's 1975 stabilization policy is being shifted from the demand to the supply side of the inflation problem. The government will emphasize a tightening of direct controls on prices, which went into effect last Oct. 1, as well as a new "anti-inflationary tax" to curb price and wage increases. The government also intends to reduce wage increases from over 20 percent in 1974 to 13.5-14 percent in 1975. It is very likely that credit restrictions in general will be relaxed this year.

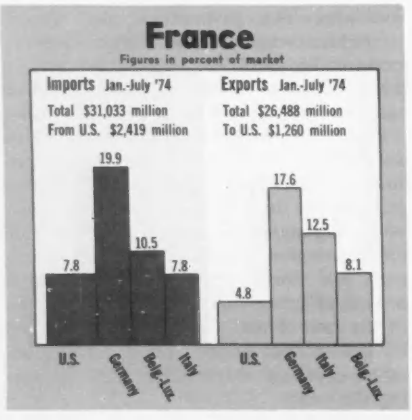
Due also to government stabilization measures as well as the decrease in primary product prices, the rate of inflation (15 percent in 1974) shows signs of decelerating and is forecasted by the French Government at 8 percent in 1975. However, this rate may only be approached if organized labor will accept the slowdown in the rate of real wage increases implied by government policy and if foreign demand does not dramatically pick up during the year.

France's trade balance has been strengthening as internal demand has been slowing and export demand continuing firm. In 1974, French exports are estimated to have increased 12.7 percent in volume as opposed to about a 5 percent volume increase in imports. The external deficit of approximately $4.5 billion resulting in 1974 is forecasted by the government to be reduced to $3 billion in 1975 and eliminated next year. The 1975 goal will only be reached if France is able to limit its petroleum bill to $11 billion, which the government intends to achieve by imposing restrictions on residential and industrial fuel use. Also, export drives in Eastern Europe and in the oil producing nations should help on the receipts side.

The present cooling-off period should last until the summer of 1975 when tax measures and restraints on public spending should have their principal impact. The French economy should thereafter be stimulated by an easing of credit constraints as well as by increased purchases by West Germany, France's leading trade partner, whose economy has been steadily growing.

U.S. exports to France should increase a little over 4 percent in volume in 1975, the forecasted increase for all French imports. Purchases of consumer goods should remain strong, at least for the immediate future. Of special interest are do-it-yourself tools and equipment, carpets and floor coverings, toys and games, recreation and leisure equipment, and housewares and apparel with the "American Look." Opportunities remain good for suppliers to the French machine tool and pulp and paper industries and manufacturers of high technology goods, particularly in the communications field. There are good prospects for U.S. sales of microelectronic and teleprocessing equipment and computers.

The Department of Commerce will sponsor the following exhibitions at the Paris U.S. Trade Center: Pulp and Paper Equipment, March 3-7; Lasers and Electro-Optics, April 14-18; Electronic Components, June 2-6.



Germany

Record Trade Surplus Seen Growing Larger

As 1974 drew to a close, it became apparent that Germany had chalked up another record trade surplus of some $20 billion, topping 1973's surplus of $12.6 billion.

Export oriented industries, except passenger cars, were the most buoyant sector of the economy, according to Velizar Stanoyevitch of the Bureau of International Commerce. They were largely responsible for what real growth there was in a year otherwise marred by declining capital spending, rising unemployment, stagnating consumer expenditures, mounting production costs and an increasing propensity of business to invest abroad. A reduction from 7 to 6 percent in the discount rate and other measures to increase liquidity, as well as tax reductions and pump-priming outlays by the government, threaten to undermine the fight against inflation.

Germany's trade performance is all the more remarkable because it was achieved in the face of worldwide recessionary trends, following price explosions for raw materials which account for over 40 percent of German imports. By mid-1974 the cost of German imports rose 23 percent, whereas the cost of German exports rose "only" 12 percent. This meant that an overall rate of German import growth last year of about 24 percent represented hardly any growth in real terms, whereas the overall German export growth of some 30 percent represented a still respectable 15 to 16 percent growth in real terms.

The relatively favorable forecast for Germany's trade performance this year is based primarily on the expected resumption of economic growth in the industrial countries, including Germany. Germany's real GNP growth last year may have been only 0.5 percent; this year it is expected to average 2.5 percent. World prices of raw materials, which peaked during the winter months of 1974, have since registered marked declines. A four to five-month backlog of orders with capital goods manufacturers could logically be expected to expand, in the light of already announced corporate spending plans and the existing and anticipated tax and other incentives for such spending. Germany's traditionally favorable investment climate has not been affected by the government's bill in Parliament (Bundestag) to expand the principle of parity codetermination to all publicly-owned enterprises employing more than 2,000 workers.

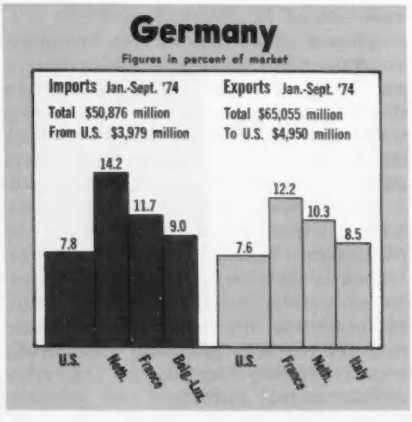
Among the most significant developments last year was the massive increase in the volume of German trade with Eastern Europe and OPEC countries. By mid-1974, German imports from Eastern Europe rose 35 percent, from OPEC countries 145.9 percent and from so-called European developing countries (Greece, Yugoslavia, Spain and Turkey), 55.9 percent.

U.S. exports to Germany have not kept pace with the overall rate of German import growth, although, if crude oil imports were subtracted from the aggregates, the rate of German imports from the United States would then be marginally higher than those from the rest of the world. As of the end of September, however, without such subtractions, our bilateral trade with Germany gave us an unfavorable trade balance of $971 million, compared to $1,100 million for all of 1973. The U.S. market share, even on a c.i.f. basis, declined to 7.8 percent of the German import market.

Prospects for U.S. sales to Germany this year are nevertheless favorable, particularly if expectations of an economic turnaround in the second half of this year prove justified. An analysis by U.S. economic/commercial staffs in Germany of U.S. product categories which should sell well this year includes business equipment and systems, computers, electronic components and testing devices, fluid power and transmission equipment, hospital and medical instrumentation, pollution control apparatus, graphic arts equipment and aerospace hardware.

Plant safety, maintainance and security equipment, with an estimated market of $0.5 billion, should also do well.

Commerce's 1975 program includes participation at the international EDP exhibit "Systems '75" in Munich in October, and exhibits this spring and fall at the U.S. Trade Center in Frankfurt, featuring materials testing and pollution control apparatus, air-conditioners and recreation and leisure time goods. Additionally, some six Joint Export Establishment Promotions, open only to U.S. firms new-to-the-market, are also scheduled.



Italy

Downturn Is Expected; U.S. Sales Seen Rising

U.S. exports to Italy are expected to increase, but at a more moderate pace this year.

A 20 percent increase in U.S. exports was expected for 1974. Even though Italy intends to reduce imports and encourage growth in exports for balance of payments purposes, U.S. exports in 1975 should surpass the 1974 amount, according to Ann Corro of the Bureau of International Commerce.

GNP growth, an impressive 5.9 percent (in real terms) in 1973, decreased in 1974 to 4.5 percent and is forecast to drop to 1.5 percent in 1975, a reflection of the recessionary phase emerging late in 1974 and continuing into 1975. Industrial production levels confirmed this slowdown by registering a 9.6 percent increase for the first 7 months of 1974, only to decline sharply by 5 percent in August over the same period in 1973. However, production figures for the steel and chemical industries remain high.

Comprehensive economic program

In 1975, Italy's economic policy will continue to concentrate on fighting inflation and restoring equilibrium to the balance of payments. A comprehensive program has recently been submitted by the Italian Government, calling for a tight monetary policy, fiscal restraint aimed at decreasing expenditures, and an expanded export incentives program. Some specific export proposals in connection with this include: use of selective credit policies in favor of exporting firms; introduction of fiscal incentives to encourage exports and discourage imports consistent with international obligations and commitments; and raising of the ceiling on export credit insurance.

Signs of an improvement in the non-oil trade balance and in the overall balance of payments position in the latter half of 1974 have given the Italian Government renewed confidence in the economic program.

There is room for optimism in 1975. A reduction in the rate of inflation is expected and a significant improvement in the balance of payments should take place, with a deficit considerably lower than the estimated $7.5-$8 billion for 1974. Despite shorter work weeks in certain industries, the unemployment rate is under 4 percent of the total work force. Also, there are indications that some selective easing of credit will occur in the agricultural, housing and non-residential construction sectors. Present business confidence reflects a pessimistic short-term forecast, although expectations regarding price performance are more optimistic as a result of the anti-inflationary steps undertaken by the government.

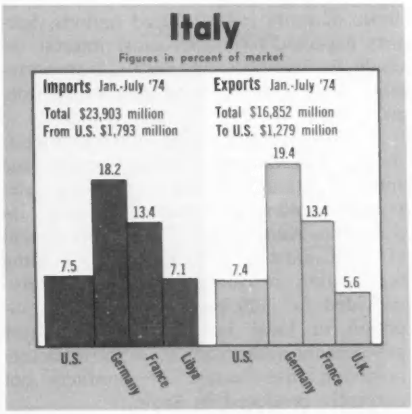
As a consequence of the four-fold increase in oil costs and Italy's dependence on this import, the market share of Italy's major trading partners slipped in 1974. Through the first seven months of 1974, the U.S. share of the market decreased from 8.3 percent to 7.5 percent. Similarly, Germany's share dropped from 20.3 to 18.2 percent and France's from 15.7 to 13.4 percent. In contrast, Libya has jumped to fourth place as a major supplier, with a 7.1 percent market share, attributable to increased oil costs.

U.S. goods are competitive

U.S. goods are competitive, particularly in fields where sophisticated technology and advanced equipment are needed. Longer-term Italian policies encouraging industrial development and infrastructure improvement offer increasing sales possibilities for U.S. exports. Products with best sales potential include: computers and related equipment, process control instrumentation, energy-related equipment and systems, advanced electronic components, industrial and commercial security equipment and avionics and air support equipment.

Recent developments may result in opportunities in cable TV, modernization and expansion of port facilities in Genoa and Palermo, improvement of the postal service, construction of nuclear power plants and continued regional development of Southern Italy.

Exhibition themes at the U.S. Trade Center in Milan through June closely parallel these best sales prospect categories with the following events scheduled: power sources equipment (February); industrial assembly and advanced electronic components equipment (March); building materials and construction equipment (May); and minicomputers (June). In addition, two trade missions and two Joint Export Establishment Promotions (JEEPs) are planned.



Netherlands

Threat Of Recession Spurs Dutch To Action

The Dutch economy during most of 1974 was one of Europe's strongest, due in large part to the availability of Dutch natural gas. Nonetheless, continues Bobette K. Orr of the Bureau of International Commerce, the situation has been deteriorating over the last couple of months; the inflation rate has been rising and, at the same time, unemployment has been escalating. As a result, the Dutch Government is launching an all-out counterattack to fight the alarming increase in unemployment and to encourage industry to invest. These measures to stimulate the economy promise a strong market for United States exports to Holland in 1975.

The recent performance of the Dutch economy was highlighted by the fact that GNP in 1973 rose 5.1 percent in real terms over the previous year to reach $62 billion. The 1974 increase has been estimated at a slackened 3.5 percent, and the projection for 1975 is for a boost back up to 4.0 percent.

Fight against unemployment

Looking ahead to 1975, the Dutch Government anticipates that the recently announced 3.5 billion guilder ($1.25 billion) expansion plan will contain average unemployment to about 160,000, which would represent a post-World War II record. Without these measures, unemployment might be 15-20,000 higher. A second objective of the government is to improve the purchasing power of the average worker by 2.5-3 percent, even though prices are expected to increase 9.5 percent in 1975. Another reason for the expansionary plan is to stimulate the domestic economy in order to counteract the effects of an anticipated slowdown in the growth of world trade.

The Dutch program consists of two main parts: the first part, totaling about $608 million, includes temporary (through Dec. 31) reductions in wage and income taxes and a lowering of social security premiums paid by workers and employers. The other major segment will cost around $642 million and includes a higher investment deduction and an accelerated write-off for buildings, a stimulus to the housing construction sector, and support to vulnerable branches of industry and to medium and small-size shops. The remaining funds will be used to improve the balance between supply and demand of labor, namely retraining of workers and encouraging higher activity of employment bureaus.

Business confidence will be buoyed by

the new government program. A recent survey of investment expectations indicates that major growth in 1975 will be in the chemical industry (+57 percent), the mining sector (+50 percent), and in the metal industry (+11 percent).

The state of the world economy will determine, to a large extent, how the Dutch economy will develop in 1975. The fact that a large number of industrialized countries are pursuing restrictive economic policies, because of balance of payments difficulties, may check Dutch exports. Consequently, the Dutch Government reportedly hopes that its major trading partner, West Germany, will take parallel steps toward stimulation of its economy.

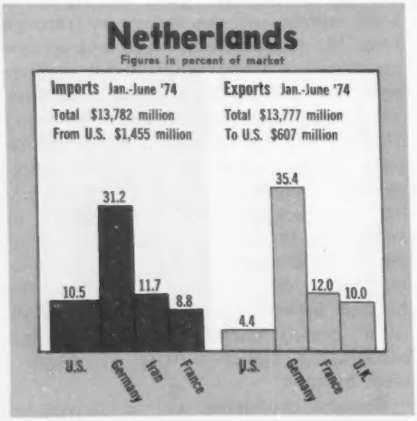
U.S. gains bigger share

Dutch imports from the United States totaled $2.2 billion in 1973, a 9.6 percent share of the market. For the first six months of 1974, imports of U.S. products had reached $1.4 billion, an increase of 27 percent, thus achieving a 10.5 percent market share. U.S. agricultural exports have accounted for a large portion of the gain.

Organic chemicals, petroleum byproducts and coal have also registered major gains.

The Dutch market potential for American consumer goods is very good, as the Dutch public is receptive to the image of American products. Total Dutch expenditures on durable consumer goods rose by over 13 percent during the first six months of 1974. With Dutch capital investment expected to grow by 6 percent in 1975, the demand for U.S. industrial products should be strong. Of particular interest are offshore drilling equipment, energy systems, industrial and commercial security equipment, and pollution control systems.

American anti-pollution equipment manufacturers may be interested in participating in a Commerce Department trade mission scheduled to visit the Netherlands in April.



Spain

Consolidation, Inflation Characterize Economy

Reduced but significant industrial expansion, coupled with a need for foreign investment, will continue in 1975 as Spain enters the final phase of its current economic development program. The country's 1975 foreign trade should reflect actual increases over 1974 import and export levels, although somewhat less than the respective 61 and 34 percent increases estimated for last year. U.S. suppliers may continue to expect increases in both value and volume, according to Roger Turner of the Bureau of International Commerce.

As expected, 1974 recorded a diminution in Spain's industrial growth. The causes were as much a cyclical downturn in the economy as an 18-20 percent inflation rate and the climbing crude oil prices. Real GNP growth, which had been averaging well over 7 percent annually since 1969, declined to approximately 4.8 percent last year. Indications are this leveling trend will continue through 1975, with real GNP growth approaching 4.5 percent.

The government has announced its intention to carry out measures designed to reconcile economic growth and full employment with the spectre of continued inflation. Current plans call for a 4 percent reduction in the rate of inflation by the end of 1975; a real GNP growth of no less than 4.5 percent; a limit on unemployment to no more than 2 percent (up from 1.2 percent in 1974); and a curtailment of petroleum imports. The latter were estimated to have increased by 300 percent in 1974, or some $3 billion over the previous year.

Direct foreign investment in 1974 approached $1 billion. Indications are that 1975 totals should equal this level. Last year's wage increases of 15-25 percent should not slow entry of foreign capital as Spanish wage levels continue well below those of more industrialized nations. Sectors expected to attract most interest include basic metals, chemicals, transportation, paper and printing, and energy development.

To further encourage foreign investment, 1974 decrees granted "preferential interest" status for the electronics, telecommunications and food processing industries. Additionally, the government clarified existing procedures concerning repatriation of foreign capital and also provided for 100 percent foreign participation in local industry, without prior government authorization, in those sectors involving manufacture of products not currently produced in Spain.

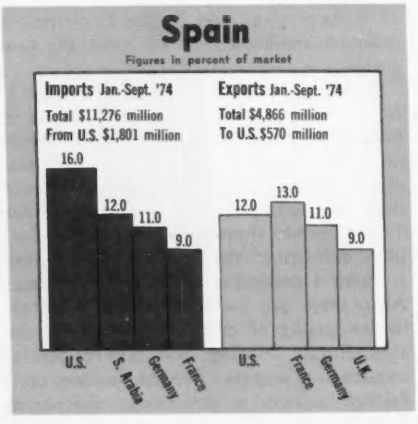
Spain's reserve position remained strong throughout 1974, owing to its invisible earnings from remittances, capital net flow and tourism. Although existing reserves are estimated at $5.5 billion, Spain's continued trade deficit (estimated at some $6 billion for 1974) could reduce them further, unless favorable offsets from invisible earnings continue (the latter were approximately $5.4 billion in 1973 and some decline was expected in final 1974 government statistics).

Spanish Government trade figures indicate that imports from the United States for the first nine months of 1974 amounted to more than $1,800 million, representing a sharp increase in value and volume over the figures for the same period in 1973. Nevertheless, the U.S. share of Spain's expanding market declined from 16.4 percent in 1973 to below 16 percent last year.

Offering highest potential

Product categories and service needs offering the highest potential for incremental U.S. export sales to Spain include computers, pollution control, advanced management techniques, electronic components, production equipment and instrumentation, metal working and finishing machinery, materials handling, food processing and packaging, and automotive maintenance and repair. Spain continues to look to U.S. technology in expanding its nuclear plant development and avionics sectors.

Commerce Department promotional efforts, designed to assist U.S. suppliers in the aforementioned categories during 1975, include: an automotive maintenance and repair equipment exhibit at the Barcelona Auto Salon in April, a consumer goods promotion at Madrid's Galerias Preciados in March, an electronics equipment trade mission to Madrid and Barcelona in February, a technical sales seminar on metal finishing equipment to Bilbao and Barcelona in June, and additional promotional events scheduled during the latter half of the year.



Sweden

More Big Gains Likely For U.S. Sales In 1975

In the latest available '74 accounts, U.S. exports to Sweden were a full 72 percent above the corresponding 1973 period. Continued strong growth is expected this year by Harold A. McNitt of the Bureau of International Commerce.

In contrast to many other industrialized nations, Sweden experienced boom conditions in 1974. While the upswing probably peaked late last year, continued high level activity is anticipated well into the new year. The current boom began in 1973 with increased foreign demand for key Swedish exports such as paper, steel, and ships. In early 1974, the upswing was further reinforced by a series of government measures to bolster domestic demand.

Sweden's GDP, $50 billion in 1973, increased by an estimated 3.1 percent (real terms) in 1974. A further growth of 2.5-3 percent is expected this year.

Tempered optimism

The Swedish business climate is still moderately optimistic, at least for the short-term, despite rising prices and an ever-increasing balance of payments deficit. There is increasing concern about economic developments in some of Sweden's major markets, such as the United Kingdom. Private investment outlays this year are expected to increase by approximately 3 percent in real terms.

Although a serious problem, inflation is less damaging in Sweden than in many other countries. Consumer prices rose by about 10.5 percent in 1974 and are expected to increase by 7-8 percent this year. In general, the competitive position of U.S. products in Sweden has been greatly improved by rising costs and prices throughout Western Europe as well as by currency realignments.

U.S. exports to Sweden are registering increases now across-the-board, with the largest gains in foodstuffs, electrical machinery, and transport equipment (especially commercial aircraft). Sizable gains were also posted by chemicals, nonelectric machinery, and miscellaneous manufactures.

Sweden has long been recognized as a premium market for high technology equipment. A recent survey by the U.S. Embassy in Stockholm pinpoints 12 product groups with exceptional potential for U.S. sales growth this year. They are: printing and graphic arts equipment; laboratory instrumentation; electronic data processing equipment; avionics and aviation support equipment; electro-optical equipment; metallurgy and metals engineering equipment; packaging equipment; electronics industry production and test equipment; energy systems; reprographics/micrographics; communications equipment; shipbuilding, marine, and port equipment.

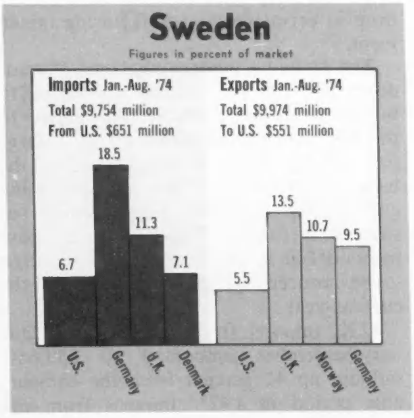
Because Sweden is heavily dependent on imported petroleum, its balance of payments deteriorated sharply last year. The balance of trade, after two years of surpluses, went into deficit by an estimated $270 million in 1974. Sweden's basic balance of payments deficit for the year was in the $675-$800 million range, according to early estimates. Thanks to a strong foreign exchange reserve position, equivalent to $1.8 billion in September, Sweden has had no problem managing the increased deficits.

Trade Center activity

The U.S. Trade Center for Scandinavia, located in downtown Stockholm, is a highly effective showcase for U.S. products in the prosperous Scandinavian market. Exhibitions scheduled for 1975 include leisure time goods (February), electronic data processing equipment (March), electronic production and test equipment (April), hotel and restaurant equipment (May), process controls (June), and electronic components (September). The March electronic data processing show will mark the Stockholm Trade Center's tenth anniversary.

The moderation of Swedish economic activity this year will be accompanied by a small decline in capacity utilization and a softening of demand for labor, according to government forecasts. Private consumption growth is expected to slow to 3.5 percent and public consumption to 2.5 percent. Housing is expected to decline by 7.5 percent. A major factor will be a decline in inventory build-up, a development which will lessen domestic demand, including demand for imports.

A major Swedish initiative in the United States is construction of a $100 million assembly plant at Chesapeake, Va., by Volvo, Sweden's largest industrial firm.



Switzerland

Economy Is Stagnating; U.S. Improving Position

U.S. trade with Switzerland is expected to increase in 1975 at a slightly higher rate than overall Swiss imports.

In 1974, the Swiss economy, which has grown since 1968 at an annual rate of more than 4 percent, entered a period of stagnation. In 1973, GNP amounted to $40.9 billion. The increase in real terms was 3.5 percent in 1973 and less than 1 percent in 1974, and is expected to decline to almost zero in 1975, reports Leo Kuus of the Bureau of International Commerce.

The country's limited productive capacity, the dried-up labor market, and the government's anti-inflationary policy were responsible for the slow growth in 1974. The domestic slowdown has been partially compensated by a brisk demand for Swiss exports, which by their nature and quality are less affected by higher prices.

Although inflation continues to be the main economic problem in Switzerland, its rate is not higher than the U.S. rate and consequently does not exert any appreciable effect on U.S. exports.

Since May 1971, the Swiss franc has appreciated vis-a-vis the dollar due to the Swiss revaluation and the subsequent devaluation of the U.S. currency. The more than 40 percent appreciation over a period of less than two years has started to favor U.S. exports to Switzerland. Despite the substantially increased cost of Swiss petroleum imports, our market share increased from 6.4 percent in 1973 to 6.5 percent during the first nine months of 1974.

Swiss tariffs are generally relatively low. In accordance with a preferential trade agreement with the European Economic Community, tariffs for industrial goods were being reduced gradually to reach 60 percent by Jan. 1. This reduction should only slightly affect the price competitiveness of U.S. goods. Moreover, the EEC rules of origin are not known to have injured U.S. exports to Switzerland.

The possible deterioration of the Swiss balance of payments in 1974 and 1975 should have no adverse effects on U.S. exports. Switzerland can easily absorb the higher cost of petroleum imports and the resulting current account deficit will be more than compensated by capital inflow.

In general, labor-saving machinery and equipment will have good prospects on the quality conscious Swiss market as does technologically superior environmental and health care instrumentation. Various consumer goods should also benefit from the high living standard of the Swiss population.

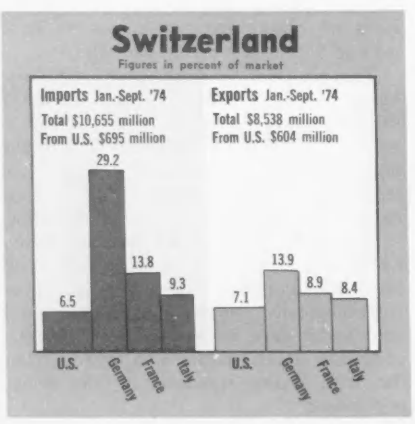
In the first half of 1975, Commerce has planned trade missions to Switzerland for electronic production and test equipment and control instrumentation in January and February, and for hospital equipment systems in April. Participation in NUCLEX 75 at Basel is scheduled to be the largest and most important U.S. trade promotion event in Switzerland during 1975. NUCLEX 75 should offer 30 U.S. companies a good potential for sales because of increased worldwide interest in energy production. In addition, U.S. consumer goods will be featured at an in-store promotion by the Swiss department store Jelmoli.

Investment situation

U.S. direct investments in Switzerland are at present adversely affected by the low value of the dollar relative to the Swiss franc, the tight labor market, and restrictions in obtaining work permits for foreigners. However, Switzerland continues to maintain complete freedom on transfer of profits and repatriation of capital. Compared to many other countries taxation of corporate income is light.

The appreciation of the Swiss franc and frequent currency fluctuations have made investments in the United States more attractive to Swiss companies. Such reverse investment is further spurred by the domestic labor shortage and need to diversify the production base.

Because of the stability of the Swiss franc and reputation of its banks, Switzerland has been long favored by foreign depositors and has been a major source of long-term capital. However, Switzerland has, since 1972, been compelled to restrain the inflow of speculative foreign capital. The resulting appreciation of the Swiss franc would not only hurt Swiss exports and tourist business but would also encourage imports. Following the inflow of dollars held by petroleum producing countries, Switzerland reimposed a negative interest rate of 3 percent per quarter on all foreign-held deposits in Swiss currency, retroactive to Oct. 31.



U.K.

Economic Growth Slow As Problems Persist

U.S. exports of industrial goods to the United Kingdom in 1975 are unlikely to exceed the level reached in 1974 as a result of the anticipated zero or negative growth in gross domestic product, as investment in manufacturing continues to decline, and little or no growth takes place in consumer expenditures. The only bright spot on the economic horizon is the outlook for expanding U.K. exports and increased public expenditures.

Paul A. Norloff of the Bureau of International Commerce points out that 1974 witnessed a steady rise in the rate of inflation from 17 to 20 percent, a gradual escalation in the balance of trade deficit owing largely to the quadrupling of the cost of imported oil and increasing unemployment. Also, an upswing in wages of 25 percent followed the removal of statutory wage controls on July 1, in spite of the existence of a "social contract" between labor and the government under which wages were to rise by no more than the cost of living.

Business confidence wanes

The British Treasury forecasts an increase in GNP in 1975 of 2.3 percent, but most other forecasters expect lower growth rates, and some see the growth rate declining throughout the year, with inflation rising from 20 to 25 percent and unemployment rising to 900,000, with the balance of trade continuing in substantial deficit.

Business confidence declined steadily during 1974 as wages and raw materials prices climbed while prices remained subject to controls. Industry as a whole developed severe cash shortages during the year, which led the government in its Fall budget to earmark a substantial tranche of funds for lending to industry. A continuing lack of business confidence in 1975 is expected to result in a further drop in private and manufacturing investment.

The United Kingdom's balance of trade deficit for 1974 is expected to reach $10 billion, most of which is attributable to the increased cost of imported oil. A large part of the effect of this deficit on the balance of payments was masked, however, by an inflow of large amounts of short-term funds. The balance of payments deficit attributable to oil is expected to be reduced by about one-third in the current year.

U.K. imports from the world in January-September amounted to $39,650 million, up 41 percent from the comparable period in 1973. Imports from the United States in January-September reached $3,750 million, a 42 percent increase over comparable 1973 imports and accounting for 9.5 percent of total U.K. imports. A substantial part of these large increases in value represent price increases, but substantial volume increases were recorded in U.K. imports of U.S. chemicals, machinery and transport equipment and miscellaneous articles.

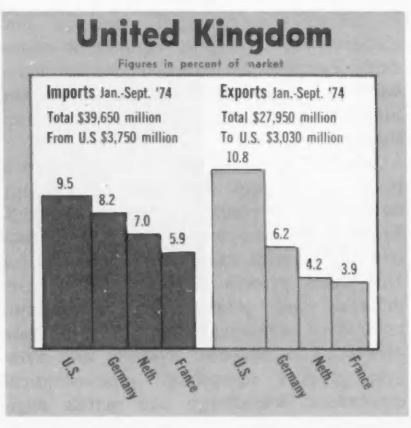
Tariffs change

Although the United Kingdom joined the European Community on Jan. 1, 1973, no changes were made in the U.K. tariff until April 1, 1973, when industrial tariffs were dropped by 20 percent for imports from Community members only. On Jan. 1, 1974, a further reduction of 20 percent for Community imports went into effect, leaving applicable tariffs at 60 percent of their original level. On Jan. 1 of this year a further cut of 20 percent was made, leaving applicable tariffs at 40 percent of their original level. The existing duty-free entry for goods from Denmark, Ireland and "associable" Commonwealth countries will be maintained.

The first changes to be made in the U.K. tariffs applicable to others were put into effect on July 1, when import duties were moved by 40 percent toward the Community's Common External Tariff. A second move of 20 percent was made on Jan. 1.

Products which continue to offer promising potential for increased sales by U.S. exporters include oil and gas equipment, high technology machinery and tools, food processing machinery, and mechanical handling equipment.

The U.S. Trade Center in London, which reopened in new quarters in October, will stage promotional exhibitions this month for electronic components, in February for automated business systems, in April for electronic production and test equipment, in May for telecommunications systems and equipment and in June for commercial and industrial security equipment.



Denmark

Recession Cuts Buying; Caution Current Mood

Because of a serious recession in Denmark, overall U.S. exports are not expected to increase significantly this year. However, Denmark is assigning high priority to improving its own export capabilities. The need to strengthen the main exporting industries may create demand for certain types of advanced equipment, components, and industrial raw materials, according to Harold A. McNitt of the Bureau of International Commerce.

Throughout 1974 the Danish economy experienced declining production and employment. By the end of the year it was apparent that the recession was a serious one. Major Danish industries, which had been making substantial investments earlier in the year, started cutting back on plans for further capital outlays.

Reflecting the decline in activity, Denmark's GDP ($28 billion in 1973) achieved little real growth last year. Total domestic demand increased in volume by only 1-1½ percent. All signs point to a continued lackluster GDP performance in 1975.

Caution is the current mood among Danish businessmen because of the cloudy economic outlook at home and abroad. One hopeful note is the relatively favorable situation in Sweden and especially in Norway. This is offset, however, by economic difficulties in the United Kingdom, traditionally Denmark's largest export market.

Despite the economic downturn, prices keep rising at an annual rate of 15 percent or more. Denmark's overwhelming dependence on imported petroleum and petroleum products is a major contributing factor. Rapidly rising wage costs—up 20 percent last year—also play a major role.

U.S. exports to Denmark recently fell by 3.5 percent from the corresponding period in 1973 (U.S. statistics). This was accompanied by a drop in the U.S. share of the Danish market from 6.7 percent (1973) to 6.0 percent (January-September). Machinery, transport equipment, plastics, soybeans, and grain sales to Denmark increased. Because of a severe slump in the Danish construction industry, U.S. sales of plywood (a star performer in recent years) declined sharply.

Products currently having sales potential on the Danish market include advanced metalworking and fabricating machinery, food processing and packaging machinery, electronic equipment and graphic arts equipment. Because of the tremendous increase in wage rates over the past few years, Danish industrialists look with special interest on labor-saving equipment.

The rapid rise in world oil prices has brought a severe balance of payments problem to Denmark, which depends on imported petroleum and petroleum products for most of its fuel requirements. Denmark incurred a trade deficit last year of nearly $2 billion and a balance of payments deficit of $1.1 billion, according to preliminary estimates. These deficits would have been even greater had it not been for Denmark's very satisfactory export performance during the year.

Added to the inflation and payments problems, Denmark currently is experiencing a high rate of unemployment. Unemployed workers totaled 5.8 percent of the labor force in September, compared with an average of only 2.4 percent in 1973. The upward trend in unemployment appeared to be continuing at year's end.

Danish Prime Minister Poul Hartling presented a "crisis plan" to Parliament on Dec. 3 in order to deal with the country's economic problems. The plan combined a 10-month wage and profits freeze with strict controls to prevent increases in domestic food prices. The Prime Minister was not able to obtain majority support in Parliament for the plan, however. On that basis he dissolved the government and announced that new elections would be held on Jan. 9. The extent to which the crisis plan will be adopted depends on the outcome of those elections.

Parliament adopted a tax reform bill in September, which includes a moderate reduction in personal income taxes. The package also calls for curtailment of free public services and public construction. The overall impact of the package on the economy may be slightly stimulative when the income tax cut goes into effect this year.

In order to stimulate exports, the Danish Government in October strengthened its export credit guarantee program, especially for long-term credit. Plans are under way to establish an independent export finance institute.

Finland

U.S. Sales Seen Rising While Economy Cools

The new year should bring a moderate increase of U.S. exports to Finland, especially in the capital equipment field.

The Finnish economy leveled off last year following the 1972-73 boom. Measures adopted to dampen inflationary pressures and to improve the balance of payments had the effect of cooling the economy. The situation compares rather favorably, however, with that of many other industrialized nations, adds Harold A. McNitt of the Bureau of International Commerce.

Finland's GNP, $17 billion in 1973, achieved a further real growth of approximately 3.5 percent in 1974. A somewhat slower real growth rate—in the neighborhood of 3 percent—is expected this year.

Despite the slackening of economic activity, the Finnish Government forecasts a hefty 12 percent real increase in investment in machinery and equipment this year. Large outlays are needed in the field of energy supply, environmental protection, labor safety, and industrial projects. In view of the tight credit situation, public funds as well as foreign borrowing will be increasingly needed to finance these requirements.

Inflation was rampant in Finland last year. Consumer prices increased by about 17 percent. Strong countermeasures, including a nationwide "incomes agreement" backed by all major economic interests, should mitigate price increases this year. Consumer prices will go up by about 11.5 percent, according to early estimates. In addition to the incomes agreement, Finland is relying on a tight credit policy and a relatively frugal budget to control inflation.

U.S. exports to Finland recently rose a full 57 percent higher than those of the corresponding 1973 period. The biggest sales gains were registered by nonelectric machinery, chemicals, grains, soybeans, and instruments. Among major categories, only electrical machinery and aircraft lagged behind the previous year's sales.

Finland plans major investments in the energy supply and environmental pollution control fields. Both of these developments will generate opportunities for U.S. exports. In addition, high sales potential is reported for U.S. computers, telecommunications equipment, electrical apparatus, electronic components, pumps and valves, refrigeration equipment, advanced machine tools, instrumentation, packaging and labeling equipment, and steam turbines.

Chiefly because of rising petroleum costs, Finland is experiencing a serious

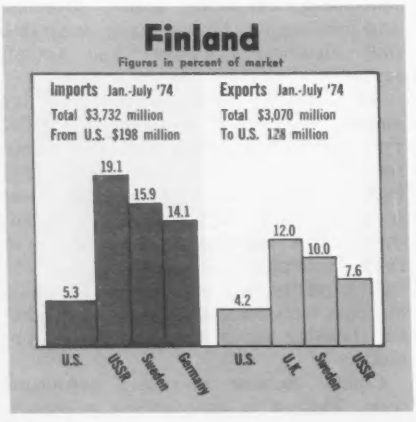
balance of payments problem. Last year the value of total imports increased by approximately 47 percent while exports went up by 40 percent, according to preliminary estimates. The government this year hopes for a more favorable ratio: imports up by 16 percent and exports by 18 percent. Early estimates place Finland's 1974 trade deficit in the $1 billion range.

The Finnish market has been successfully approached by numerous U.S. exporters through participation in exhibitions held at the U.S. Trade Center for Scandinavia in Stockholm. Interested business visitors from Finland are usually numerous and represent major potential Finnish buyers and end-users. Many promising sales and agency contacts have been reported by American exhibitors at the Center.

The rapid increase in world petroleum prices has brought a significant change in the distribution of Finland's trade. Since approximately two-thirds of Finland's petroleum comes from the USSR, the Soviet share of the Finnish import market has increased from 12 percent (1973) to 19 percent (January-July '74). To balance accounts with the Soviet Union, Finland is acting to achieve a higher level of exports to the USSR.

Finland's trade with the United States has also undergone a significant change. Newsprint was Finland's largest export to this country until 1974. Last year, however, European newsprint production costs and prices increased to a level well above North American prices. Consequently, Finnish newsprint suppliers are phasing out all of their shipments to the United States.

Finland has virtually full employment at present. The unemployment rate was estimated at only 1.8 percent of the labor force for full-year 1974, lower than any year since 1966. Partly because many industries were utilizing all available resources, there was little increase in the volume of industrial production during 1974.



Norway

U.S. Sales Are Soaring As Oil Boom Continues

Last year's outstanding increase in U.S. exports to Norway may well be matched or exceeded in the new year. U.S. sales during most of the 1974 term were at a level 69 percent higher than the previous year, reports Harold A. McNitt of the Bureau of International Commerce.

The current Norwegian boom is based partly on the discovery and exploitation of oil and natural gas reserves in the Norwegian sector of the North Sea. This development creates vigorous demand for U.S. oil exploration, drilling and transmission equipment and services. The boom also generates demand for a wide range of other U.S. capital equipment.

Norway's GNP, $20 billion in 1973, increased by an estimated 4.8 percent (real terms) in 1974. The government forecasts a GNP growth of 6.2 percent in real terms this year.

Because of the oil bonanza, confidence runs high in the Norwegian business community, although there is growing concern about the uncertain prospects for the international economic situation. Private industrial investment, which increased by about 25 percent in volume last year, is expected to continue rising at the same rate in 1975. The rate of investment would probably be even higher were it not for tight anti-inflation credit controls.

Rising prices are a serious problem but the rate of increase is moderate compared to that in many other industrialized countries. Prices are forecast to go up by 11 percent this year. Wages in the tight Norwegian labor market will increase by 17 percent, according to these official forecasts.

U.S. exports to Norway are soaring in the latest U.S. statistics by 69 percent during January-October over the corresponding 1973 period. The big increase was distributed across all major U.S. export commodity groups. Outstanding gains were registered by offshore oil equipment. But significant increases also occurred in electrical machinery, grains, soybeans, and chemicals. The U.S. share of the Norwegian market has increased dramatically from 6.2 percent (1973) to 8.2 percent (January-August).

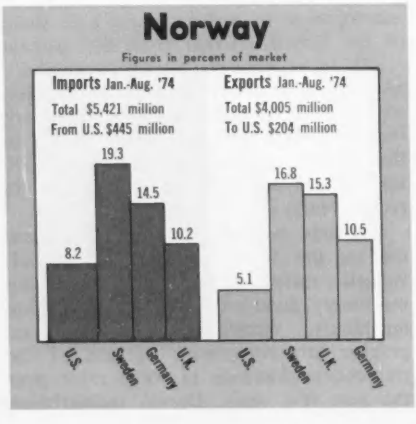
Currently one of Europe's strongest economies, Norway offers outstanding opportunities for a broad range of U.S. exports. In addition to offshore oil and natural gas equipment, Norwegian demand is vigorous for maritime equipment and pollution control equipment. The market for maritime equipment is frequently overlooked by U.S. suppliers, even though Norway has the world's fourth largest merchant fleet. Norway's need for pollution control equipment is underlined by the fact that the government's budget proposal for 1975 earmarks substantial expenditures for environmental protection. Other product categories with high sales potential include: biomedical equipment, building and construction supplies and equipment, graphic arts equipment, electronic data processing equipment, metallurgical equipment, and other technologically advanced machinery.

Despite the steady development of its offshore reserves, Norway is not yet self-sufficient. Increased oil import costs contributed to Norway's heavy balance of payments deficit last year, estimated at $1.3 billion. Major imports of oil drilling equipment as well as large ship purchases also contributed. A slightly higher deficit is forecast for this year. Later in this decade, however, Norway's balance of payments will go into a strong surplus position as the nation becomes a significant exporter of oil and natural gas.

The Norwegian Government, in its budget proposal for 1975, called for substantial income tax reductions. As a result, the government will take a smaller share of GNP this year and will maintain a conservative stance on expenditures.

The most important event on the Norwegian offshore oil scene last year was the discovery of a second huge oilfield within the Norwegian sector of the North Sea (the first major field to be discovered, Ekofisk, is now in commercial operation). The new field, "Statfjord", was discovered by the Statoil/Mobil Group, a joint Norwegian-American venture.

Related to Norway's growing stature as an oil producing state is the planned construction of a major petrochemicals complex at Rafnes. It was recently announced that the complex's polypropylene facility will use an American process and probably related equipment as well. This development is typical of the numerous opportunities now offered to U.S. exporters and licensors by the dynamic Norwegian market.



Austria

Economy Softening, But Remains Buoyant

Amid the downturn in international economic activity, the Austrian market, although softening, remains buoyant. Austrian exports, in spite of four revaluations of the schilling in recent years, increased an astonishing 35 percent in the first three quarters of 1974 over the same period in 1973. Total imports, reflecting a high level of activity, were up 26 percent in the same period.

M. R. Frisby of the Bureau of International Commerce reports that prospects for this year are uncertain, but still promising. While foreign demand decreases, Austria will attempt to increase consumer spending through sizable wage increases, a reduction in income taxes, and provisions for contingency expenditures. Demand for consumer goods and high technology items in the capital goods sector is expected to be particularly high.

Austria's real GNP in 1975 is expected to grow between 3 and 4 percent, down from 1974's impressive growth rate of 5 percent. Inflation remains the principal problem in Austria, with the 10 percent rate in 1974 expected to continue unchanged through 1975. Although Austria's unemployment is almost nil, monetary and credit restraints may be eased if unemployment should increase. Due to considerable supplies of oil, gas and hydroelectric resources, Austria should be in a better economic position than most industrial countries this year.

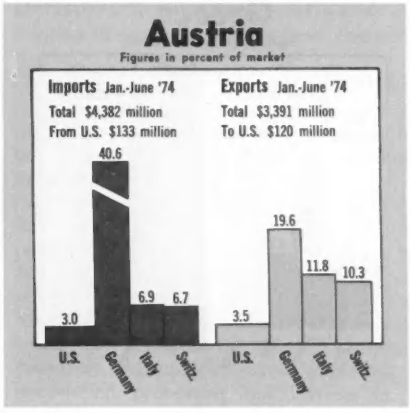
Total U.S. exports to Austria for the first three quarters of 1974 increased 17 percent in value over the same period in 1973. However, the U.S. market share continues to remain disproportionately low, under 3 percent. U.S. exports should also increase significantly in total dollar amounts in 1975, due to past dollar devaluations, gradual appreciation of the schilling vis-a-vis the dollar, and Austria's interest in diversifying its foreign sources of supply.

Almost neutralizing these favorable aspects is the implementation of the Austrian-EEC trade agreement which will eliminate intra-EEC/Austria tariffs on most industrial products by 1977. The 20 percent mutual tariff reduction on Jan. 1 has lowered tariffs on these products to 40 percent of the pre-agreement level.

Interest in Austria for U.S. products is highest in EDP equipment; industrial and plant security equipment; biomedical equipment; industrial electronics; food processing and packaging; industrial safety and maintenance equipment; advanced metalworking and finishing equipment; environmental and anti-pollution equipment; chemicals; and leisure, recreation and sporting goods. Austria's nationalized basic industries have major expansion plans which should offer significant opportunities for U.S. firms in the capital investments sector.

U.S. businessmen should also take advantage of Austria's key role in East-West trade. A large number of U.S. companies and banks are exploring the Eastern European market from Vienna. Austria welcomes foreign investment, particularly that which creates further employment or brings in new technology.

Department of Commerce promotional projects in Austria through June include a technical sales seminar, an in-store promotion in Graz and several shows at the East-West Trade Center in Vienna.



Yugoslavia

U.S. Share Increases Despite Austerity Acts

U.S. exports to Yugoslavia are expected to increase in 1975 but to a lesser extent than in 1974 because of less favorable U.S. credit terms.

Yugoslav GNP amounted to $20.5 billion in 1973. The increase in real terms, 5 percent in 1973 and about 7 percent in 1974, was achieved amid growing inflation, as the cost of living increased 20 percent in 1973 and about 25 percent in 1974. For 1975 the Yugoslav goal is GNP growth in real terms of 6 percent and a one-third reduction in the inflation rate, according to Leo Kuus of the Bureau of International Commerce.

Yugoslav authorities have indicated that they do not want to reduce inflation by sacrificing development projects. Since the high cost of inflation and diminishing job opportunities for Yugoslav workers abroad are beyond Yugoslav control, government policy is geared toward promoting exports and curbing imports, increasing productivity and slowing consumption, encouraging savings and imposing of more stringent credit controls.

The rate of growth of U.S. exports to Yugoslavia has increased faster than total Yugoslav imports. Our market share was 4.1 percent in 1973 and 5.6 percent during the first seven months of 1974.

Import restrictions, which were introduced last August to curb imports during the second half of 1974, will probably be maintained in 1975. Restrictions in the allocation of foreign exchange to certain imports and imposition of prior import duties are expected to affect U.S. exports. The 6 percent import surcharge on all imported goods was extended to the end of 1975.

Due to increased remittances from Yugoslav workers abroad, Yugoslavia achieved, in 1972 and 1973, a surplus on its balance of payments current account. However, in 1974, import prices increased to such an extent that the resulting trade deficit could not be offset by increased workers' remittances and tourism. The current account deficit of around $1 billion was covered by existing foreign exchange reserves. However, in 1975 foreign borrowing has to be increased in order to maintain a trade deficit of this magnitude.

Capital goods which would increase export potential of the aluminum, copper, and pulp and paper industries, and those which are needed for various infrastructure projects have good prospects on the Yugoslav market.

During 1975, the Commerce Department plans to participate in the Zagreb Spring Fair in April with a furniture and woodworking machinery exhibition. In addition, plans are being made to sponsor an exhibition at the Ljubljana Electronics Fair.

Also, a Technical Sales Seminar conducted by members of the U.S. metalworking and finishing industries will be conducted in June. At the Zagreb Fall Fair, Commerce will cooperate with the U.S. Information Agency in presenting a U.S. exhibition.

Greece

Reorganization Year Ahead For Economy

Despite the economic problems faced by Greece today, the change of government has generated an aura of cautious optimism in contrast to last year's pessimism, according to John L. Priamou of the Bureau of International Commerce.

The past government, in an effort to combat a rampant rate of inflation, had adopted a series of stringent anti-inflationary measures. Although these measures achieved some success in stabilizing prices, they also stunted the dynamic growth of the economy. With the possible exception of the agricultural sector, the estimated 1974 real growth rate is zero as compared to a 10.5 percent rate for 1973.

The task now facing the new government is to find ways to revitalize the economy, to bring inflation down to an acceptable level and to try to correct the country's chronic imbalance of payments. Already, credit restrictions which were in force during the first half of 1974 have been greatly relaxed, minimum salary and wage rates have been increased and a heavy tax on new construction has been abolished. With the inflation rate running at about 15 percent, the effect of these measures still remains to be seen.

In view of the reactivation of the Greek-EEC Association Agreement the government plans to stimulate industrial development with an emphasis on export oriented productive investment. Total imports during 1973 were $4,047 million while those during January-June 1974 amounted to $2,143 million, a substantial increase over the same period of 1973. It is projected that imports for the year will reach $4.700 million.

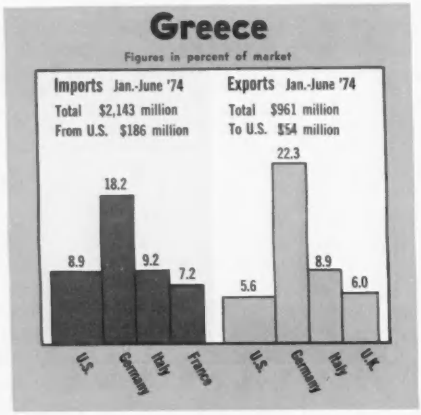
Long-range U.S. prospects

The United States as a supplier of Greek imports ranks third behind West Germany and Italy. A disadvantage for U.S. suppliers in the years to come is the reduction in tariff barriers for Common Market members which in November reached 100 percent for almost all non-agricultural goods not produced locally.

However, the possibility of a revitalization of the economy offers U.S. suppliers the prospect of improvement in market conditions in 1975. As always, energetic salesmanship and supplier credits remain the key factor for increased United States exports.

Demand is expected to remain high for U.S.-made general and metalworking machinery, office machines, agricultural equipment, organic chemicals, plastic materials, lumber, paper and paperboard and hotel and recreation supplies and equipment.

Additional areas where American products have significant export potential include the aviation industry, mining, food processing and packaging, commercial and industrial refrigeration, air-conditioning, scientific instruments, pollution and environmental control, medical and pharmaceutical goods, iron and steel scrap and shipbuilding and repair equipment. Furthermore, the Greek Government and its agencies are potential customers for approximately $300 million in telecommunications and electric equipment, and plant machinery.



Turkey

U.S. More Competitive; Capital Goods Selling

U.S. exports will become more competitive in the Turkish market in 1975 because Turkey did not follow the devaluation of the dollar in February 1973 and devalued its currency in November 1974 about 10 percent vis-a-vis European currencies. However, Turkey's import control system has thus far effectively prevented U.S. exporters from making full use of their price advantage, adds Leo Kuus of the Bureau of International Commerce.

In 1974, Turkish GNP was estimated to have grown in constant prices by 8.8 percent and in current prices by 42 percent to about $30 billion. In 1975, a smaller growth rate in real as well as in nominal terms is expected.

Business confidence will be adversely affected by political uncertainty and growing anxiety over inflation. Turkey has one of the highest inflation rates among OECD countries, about 30 percent in 1974. Budgetary deficits, military expenditures with regard to Cyprus, low domestic savings, and credit restrictions to curb inflation have directly or indirectly contributed to a scarcity of capital and raw materials which in turn has affected industrial production.

U.S. market share in Turkey (excluding military aid shipments) showed a declining trend until last year, mainly due to the diminishing of U.S. economic aid. However, the U.S. market share increased from 8.8 percent in 1973 to 11.0 percent in the first half of 1974. At the same time, the market share of the European Economic Community decreased from 55 to 46 percent.

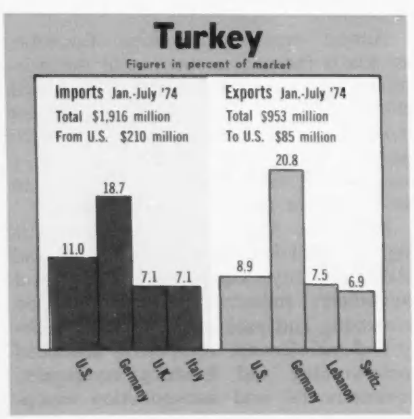
Turkey has concluded an association agreement with the EEC and expects to become a full member in the 1990s. Meanwhile, on both sides, tariffs and other trade barriers are being gradually reduced.

Because of a deterioration in the balance of payments in 1974, Turkey's import system cannot be expected to be liberalized in the near future. The trade deficit in 1974 amounted to about $2.0 billion, while workers' remittances, which in 1972 and 1973 covered the trade deficit, amounted to $1.4 billion. Foreign exchange reserves at the end of 1974 had decreased to $1.7 billion.

The current Five-Year Plan (1973-77) places heavy emphasis on rapid industrialization and promotion of tourism.

Basic infrastructure projects such as electric power generation, port facilities, irrigation, and water supply have recently gained importance over industrial investments and capital goods for such projects have at present good prospects in Turkey.

The annual Izmir International Trade Fair is scheduled to be the largest and most important U.S. promotion event in Turkey during 1975. The 1975 fair should offer nearly 100 U.S. companies a good potential for sales because of rising Turkish imports and pressure from business groups for larger import quotas to be used at the fair. In addition, a trade mission for industrial controls manufacturers is planned.



New Legislation Will Affect Trade With Socialist Nations

Volume Expected To Remain At 1974 Level

Volume of U.S. trade with the socialist countries will probably continue in 1975 at the 1974 level. Increases with the USSR and Eastern Europe are likely to be offset by decreases with the People's Republic of China.

Exports to the Soviet Union should recover from last year's steep decline but will remain below the 1973 peak of $1,190 million. After two years of continuous growth, trade with the People's Republic of China will drop in 1975 as Chinese requirements for U.S. agricultural commodities diminish. The U.S. surplus in its East-West trade account should continue despite the relatively quickening pace of imports. Most-Favored-Nation (MFN) treatment on imports should be reflected in the late-1975 statistics. Financing difficulties, including major constraints on Eximbank financing for sales to the USSR, may have a negative export impact.

For details on Commerce's trade missions, seminars, and exhibitions in the socialist countries during 1975, call the Trade Promotion Division, Bureau of East-West Trade on 202-967-4161. Such events are also listed each month in the World Trade Opportunities section of this magazine.

Major new exporting and industrial cooperation projects in the socialist countries' 1976-80 development plans will present new opportunities for U.S. businessmen. As agricultural outputs increase in most of these countries, more foreign exchange reserves can be set aside for machinery and equipment. The socialist countries can be expected to give priority to the development of energy products. The USSR, Poland and Bulgaria have large coal deposits. Romania has potentially large off-shore Black Sea petroleum resources. Opportunities for the sale of energy-related equipment and technology, as well as for cooperative ventures, exist for U.S. firms.

Three year end legislative actions will affect East-West trade. The Trade Act of 1974 (see *Commerce Today*, Jan. 6, page 5) was a major step toward normalizing economic relations with the nonmarket economies. It permits the President to extend nondiscriminatory (MFN) tariff treatment to the socialist countries if they conclude bilateral trade agreements with the U.S. Granting of MFN status is tied to a Presidential determination that the USSR and other socialist countries permit free emigration of their citizens, but this requirement may be waived if it will contribute to a freer emigration policy. MFN status may be also withheld from any socialist country refusing to cooperate with U.S. efforts to locate Americans missing in action in Southeast Asia. The Act requires that any U.S.-Czechoslovak trade agreement provide for settlement of U.S. citizens' claims on Czechoslovakia. It also protects against disruptions of the U.S. market through emergency Presidential authority to impose tariffs and quotas on imports of good or services from the nonmarket economies.

In December, in renewing the Eximbank charter for four years, Congress restricted new credits and guarantees to the Soviet Union to $300 million; no more than $40 million of this may be for exploration and research for fossil fuel resources, and none may be used for production, processing and distribution of Soviet fossil fuel energy. The President, with Congressional consent, may raise the $300 million credit ceiling but must specify the amount for loans for energy resources, including research, exploration, production, processing and distribution.

The Eximbank must also notify Congress 25 days before final approval on any loans and guarantees that aggregate $60 million or more for any one country, or $25 million or more in cases of transactions involving USSR fossil fuel resources. The President must determine that loans for $50 million or more to any socialist country would be in the national interest.

Currently the USSR, Romania, Poland and Yugoslavia are the only socialist countries eligible for Eximbank credits.

Under the Export Administration Amendments of 1974 to the 1969 Export Administration Act, the Secretary of Commerce may limit the export of any product if such export would contribute to higher domestic prices or to domestic shortages. Also, the Secretary of Defense must review exports of U.S. goods or technology which might increase the military capacity of any socialist country. Further, export controls may be used to secure the removal of foreign restrictions on U.S. access to supplies, where such restrictions are intended to influence U.S. foreign policy or may cause domestic shortages. Such measures would be taken only after failure of attempts at negotiated settlements.

Improvement of U.S. commercial relations with the socialist countries continued during 1974. In April, Secretary Dent led the U.S. delegation to the first session of the American-Romanian Economic Commission in Bucharest. He also visited Bulgaria to meet the Chief of State and other high-ranking officials; a Bulgarian delegation came to Washington in late September. In September, the U.S. and the German Democratic Republic established diplomatic relations, paving the way for expanded bilateral trade. The Hungarian Foreign Trade Minister visited Washington in November. In September, the fourth session of the Joint American-Polish Trade Commission met in Washington. In October, President Ford met in Washington with Poland's party leader, Edward Gierek.

With regard to the USSR, Secretary Dent in April opened the Moscow "Stanki 74" exhibition of U.S. machine tool products and met with Soviet officials, including Secretary Brezhnev. The U.S.-USSR Joint Commercial Commission held its fourth session in Washington in May. Its work culminated at the June Moscow Summit with a long-term agreement to facilitate economic, industrial and technical cooperation and to exchange information on economic trends.

U.S. Trade With East Europe, USSR, China

Country	Exports		Imports	
	1973	1974*	1973	1974*
	Millions of dollars			
USSR	1,190.2	460.9	213.9	286.0
East Europe				
Albania	.2	.4	.5	.2
Bulgaria	6.5	18.1	4.5	7.7
Czechoslovakia	72.1	35.2	35.2	38.0
German Democratic Republic	28.0	19.0	10.5	12.2
Hungary	33.0	49.5	16.4	67.7
Poland	350.0	318.9	181.9	216.4
Romania	116.6	218.2	55.7	112.2
People's Republic of China	740.2	784.0	64.0	99.4

* First ten months.

Bulgaria

Cooperation Law Seen Leading To More Trade

U.S. trade with Bulgaria should continue to increase in 1975 as a result of heightened U.S. business interest and Bulgarian moves to encourage economic cooperation with Western firms, James L. Ellis of the Bureau of East-West Trade reports.

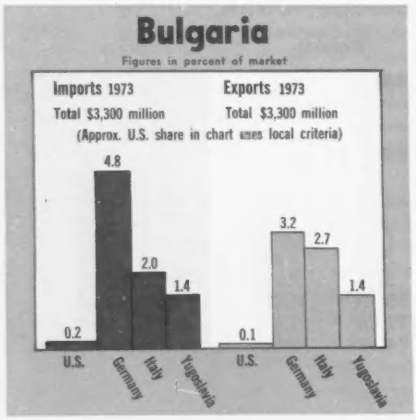
Business interest in Bulgaria was boosted by the September 1974 visit to the United States of Bulgaria's Deputy Premier, Ivan Popov, and the concurrent establishment of a joint Economic Council, under the auspices of the U.S. and Bulgarian Chambers of Commerce. Both these events have helped to focus attention on a wide range of commercial opportunities in Bulgaria, to which U.S. firms are often uniquely qualified to respond.

During his visit to the United States, Popov repeatedly emphasized his country's desire to involve U.S. firms in Bulgarian projects in energy and agriculture, and petrochemical processing, machine building, metallurgy, and electronics.

Bulgaria is strongly interested in bringing the most advanced technology to its agricultural sector. For instance, it is presently seeking bids on a project in Silistra which would provide a working prototype for integrated livestock raising.

Another area of opportunities for U.S. business is energy. Bulgaria has relatively large reserves of coal and oil shale, which its government wishes to exploit as energy sources. Additionally, it seeks Western assistance in deep-sea oil exploration off its Black Sea coast.

In the past, Bulgaria's strong rate of economic growth of 6-10 percent has helped assure a corresponding expansion of foreign commerce. The growth is expected to continue in 1975, according to the national economic plan which calls for a 9 percent increase in the national income and capital investments of about $5 billion, at the official rate of exchange. Bulgaria's estimated GNP in 1973 was nearly $16 billion, up 6.3 percent from the previous year.



Substantial sales of U.S. agricultural machinery occurred in 1974 as a result of official U.S. participation at the annual Plovdiv International Trade Fair. Participation is being considered again this year with a theme emphasizing food processing. The Department of Commerce also plans to sponsor a technical sales seminar in agricultural chemicals in March 1975.

Expansion of U.S. business activity in Bulgaria should be facilitated by recent Bulgarian legislation on cooperation with foreign firms. The legislation provides such inducements as allowing the cosigner of a cooperation agreement with a Bulgarian enterprise to oversee production and quality control and to share in profits from sales on Western markets. There is some indication from the Bulgarian Government that even equity ownership might be considered. Bulgarian enterprises welcome entering into joint equity ventures with foreign firms in third countries.

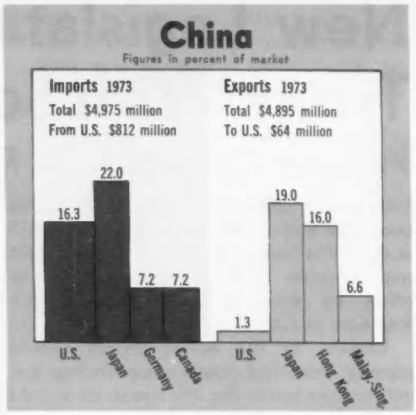
Bulgarian plans for expansion of the economy in cooperation with Western firms may be circumscribed by the availability of credits on Western markets. In view of general restrictions on such credits, U.S. firms should be prepared to consider arrangements where at least part of payment is in goods produced in Bulgaria.

China

Farm Exports Off, Machine Sales Grow

After rapid growth following the signing of the Shanghai Communique in 1972, Sino-American trade reached $930 million in 1974. Trade is expected to total between $600 and $700 million in 1975—a decline attributable to reduced Chinese agricultural purchases from the United States, according to Martha Avery of the Bureau of East-West Trade. Commercial relations between the United States and the People's Republic of China have not yet been fully normalized. Progress in settling outstanding issues in the near future should result in a steadily increasing and mutually beneficial relationship.

Chinese trade with the non-Communist world rose from $5.9 billion in 1972 to $9.9 billion in 1973, while forecasts for 1974 indicate a rise to $11 or $12 billion. Considering inflation, this small real increase indicates a leveling off of total Chinese trade due to several factors. Good crops have at least momentarily reduced the need for grain imports. Congestion in Chinese ports has led to delays in exports. Further, the PRC's capacity to absorb the massive purchases of complete



plants and machinery made in 1973 and 1974 may have reached a plateau. Possibly because of these purchases, the PRC shows signs of a foreign exchange shortage at a time when a bearish world economy is offering a smaller market for Chinese goods. Expectations are that the exchange shortage will be temporary since China's oil exports are growing. The PRC exported 4-5 million metric tons of crude in 1974, mostly to Japan, and is expected to ship from 10 to 14 million tons in 1975 when earnings from oil alone could total over $1 billion.

The U.S. share of the China market was 16.3 percent in 1973, second only to Japan's 22 percent. In 1974 the portion declined to about 13 percent, and is expected to fall below 10 percent in 1975. While Chinese agricultural imports are down, one million tons of wheat and one-half million bales of U.S. cotton are scheduled for delivery to the PRC in 1975. Problems with the quality of American agricultural exports have led to cancellation of contracts and rescheduling of deliveries. U.S. exports in the nonagricultural sector continue steady, slow growth.

Progress has been made in the commercial relationship, but a number of issues must be resolved before trade reaches an optimum level and relations are considered normal: the Chinese assets/U.S. claims issue, MFN tariff status, availability of Eximbank credits should the Chinese desire financing, and a number of agreements regarding business facilitation. Substantial reductions in the imbalance of trade which has heavily favored the United States will soften another issue of concern.

Melioration or resolution of these issues will do much to expand exports although cyclical swings in agricultural purchases will dictate overall performance in Sino-American trade for some years. The long-run prospect for nonagricultural exports remains promising with petroleum and construction equipment leading the way. The outlook for petrochemical plant and technology sales, and for electric power generation equipment, is good.

Czechoslovakia

Call For Feedgrains, Technology Continues

Czechoslovak trade with the United States should increase moderately from its 1974 level because of anticipated demand for U.S. feedstuffs and sustained demand for advanced equipment and technology to update industrial processes.

Purchases from the United States fell in 1974, partly because of record wheat harvests which lowered feedgrain import requirements, reports James L. Ellis of the Bureau of East-West Trade. Feedgrains and soybean meal have accounted for at least half the value of U.S. shipments to Czechoslovakia over the past few years.

Demand for U.S. feeds should be as high this year as it was in 1973, when American exports to Czechoslovakia were at an alltime high. Extensive floods hindered the planting of feedgrains this winter in Slovakia, and inflation also will boost the U.S. export figure.

American imports from Czechoslovakia increased in 1974 and should continue to climb in 1975. Czechoslovakia exports a considerable range of industrial and consumer goods to the United States, including iron and steel, printing and textile machinery, motorcycles, footwear, and glassware.

Czechoslovakia's economy continues to grow at a respectable rate. The GNP in 1973 was estimated at $39.5 billion, up 7.3 percent from the year before. Preliminary indications are that GNP growth in 1974 was more sluggish.

Looming problems in the economic picture are the catapulting world prices of raw materials, on which Czechoslovakia heavily depends for its industrial processes, and strong, pent-up domestic inflationary forces, indicated in part by an excessively high rate of personal savings. To counter these potential problems, the government may seek to hold the line on imports and increase export prices.

Prospects for U.S. business in Czechoslovakia in 1975 are best in the areas of automotive machine tools, computers and office machines, petrochemical processing equipment, construction techniques and equipment, and roadbuilding machinery. Czechoslovak enterprises are most receptive to offers involving licensing and high technology, because of otherwise high shipping costs and procurement priorities from other Socialist countries for lower technology items.

Draft directives of the Czechoslovak Government's 1975 economic plan suggest additional areas of commercial opportunity. Special emphasis is to be given to expansion of electrical power generating capacity and strip mining of brown coal. Imports of consumer goods should increase, especially new cars, washing machines and refrigerators, but also textiles and footwear. Emphasis will be placed on what is stylish, modern, and of superior quality.

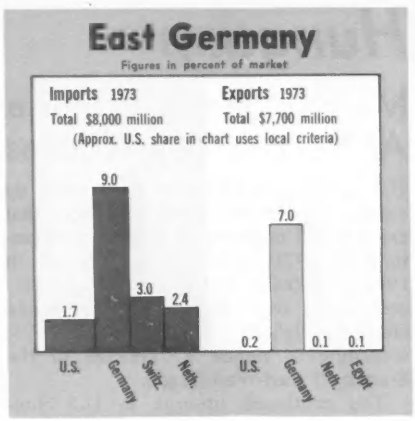
This September the U.S. Department of Commerce again plans to sponsor an exhibition at Czechoslovakia's Brno International Engineering Fair. Industrial process controls are expected to provide the theme of the exhibit. Other Commerce-planned trade promotion events in Czechoslovakia this year include technical sales seminars in plastics production equipment and nonferrous metals processing and fabrication. Also scheduled is an industry-organized/government-approved trade mission in mining equipment.

East Germany

Establishment Of Ties Spurs Trade Hopes

Although 1974 U.S. exports to the German Democratic Republic were down from 1973, American businessmen hope that the establishment of diplomatic relations between the United States and the GDR will lead to increased sales opportunities. U.S. sales to the GDR during the first ten months of 1974 were $19 million and were expected to reach a level of about $25 million by the end of the year, an 11 percent decrease from 1973, reports James A. Treichel of the Bureau of East-West Trade.

The United States and the GDR agreed on Sept. 4 to establish diplomatic relations, thus making official contact possible for the first time, and on Dec. 9 the embassies of the two countries opened for business. When they established relations, the two countries agreed that they would seek to promote relations in a number of areas, including trade With this goal in mind it



may be expected that trade between the United States and the GDR will increase and that U.S. sales may reach a figure as high as $35 million.

Machinery sales to gain

As in other East European countries, feed grain sales have made up a major part of U.S. exports to the GDR. This trend may be expected to continue, but an increase in U.S. sales of machinery may also be expected. With a GNP approaching $50 billion and a ranking as the world's fourteenth industrial nation, the GDR offers an excellent market in the industrial sector.

East German exports to the United States, which have been running at the $10 million level in recent years, may go as high as $15 million this year.

It should be pointed out that GDR trade statistics, which include sales by U.S. subsidiaries in Europe and other items not found in Commerce Department figures, show U.S. sales to the GDR in 1973 at over $130 million. This figure is probably a better indicator of the level of the activity of American companies in the GDR.

One problem which concerns GDR officials is the deficit of over $2 billion which has developed in the GDR's balance of payments with the West. However, a substantial portion of this deficit originated in East German trade with West Germany and may not have a major impact on trade with U.S. firms.

With the establishment of diplomatic relations, the Commerce Department's Bureau of East-West Trade is preparing a program of trade promotion activities for the GDR. The first of these is to be a Business Development Office at the Leipzig Fair, March 9-16. Also planned for 1975 and 1976 are trade missions and technical sales seminars, and eventually a full exhibit of industrial goods at Leipzig. In addition, the Bureau is preparing a report (in its Overseas Business Reports series) to be published by mid-year, on trading in the GDR.

Hungary

Market Shows Promise As Record Year Closes

U.S. trade with Hungary is finishing up another record year amid indications that exports will continue to increase substantially in 1975. U.S. sales to Hungary in 1974 may reach $60 million, an 82 percent jump over 1973, and they could climb as high as $100 million in 1975, according to James A. Treichel of the Bureau of East-West Trade.

The continued upsurge in U.S.-Hungarian trade is due in no small measure to the improvement in trade relations which was highlighted by the official visit to the United States in November of Hungarian Foreign Trade Minister Jozsef Biro. Dr. Biro and his host, Secretary of Commerce Frederick B. Dent, agreed that there is plenty of room for further expansion in bilateral trade. Presently, the United States has only a 2 percent share of Hungarian imports. With passage of the Trade Act of 1974, prospects for a sizable growth in trade appear excellent.

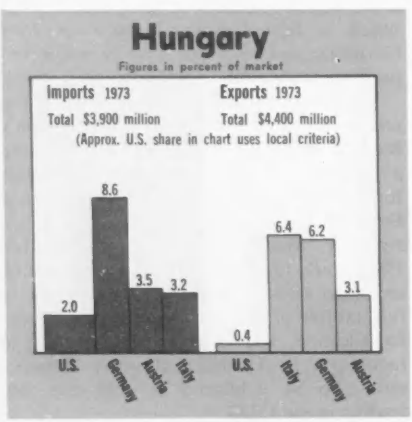
Moreover, Hungary's need for U.S. feed grains and breeding cattle, which this past year produced an increase in sales from $15 to $25 million, should help push sales further upward. In addition, U.S. sales of machinery, which reached $10 million for the first time this year, should increase significantly.

The Dent-Biro meeting underscored the fact that the climate for U.S. companies doing business in Hungary has continued to improve. Dr. Biro gave Secretary Dent details of a new Hungarian law passed on Oct. 3, which for the first time allows foreign firms to open their own offices in Hungary. While Biro was in New York it was announced that First National City Bank had received premission to open an office in Budapest in January. The new law actually took effect Jan. 1.

Cooperation agreements have played an important part in Hungary's trade with the West and they are beginning to figure more importantly in U.S.-Hungarian trade. One of the most productive, involving the Chicago-based firm, Corn Production Systems, Inc., has introduced a high-technology system of raising corn which has increased yields in Hungary and is now in use on several hundred thousand acres of land. More recently this year, Sea Containers, Inc. of New York signed a contract with the Hungarian Ship & Crane Works under which the Hungarians will supply SCI with over $10 million worth of containers over the next several years. This is one of the largest cooperation transactions involving a U.S. company and it shows that sometimes Hungarian industry can supply items needed by U.S. firms.

The Hungarian economy experienced satisfactory development in 1974, with a GNP growth of about 5 percent to over $20 billion (valued in 1973 dollars). However, Hungarian officials are concerned about the substantial deficit which has developed in trade with the West, due in part to the effects of inflation, and they may be more selective in their imports from the convertible area in 1975. Hungary has increased its exports to the United States, however, by selling over $25 million worth of gold coins to U.S. coin dealers.

There are a number of cooperation opportunities for American firms in machine tools, precision engineering, telecommunications and computer technology.



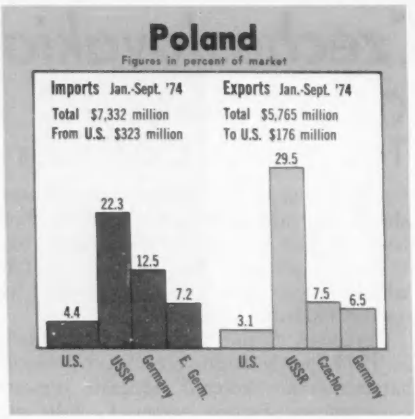
Poland

Trade Growth Seen, Capital Goods Needed

U.S. trade with Poland can be expected to expand further in 1975. Significant opportunities exist for export to Poland of a variety of industrial goods, equipment, technology, and services for major projects, reports Susanne S. Lotarski of the Bureau of East-West Trade.

With Poland's 1975 economic plan calling for a 16 percent increase in foreign trade, its imports from the United States in 1975 could rise to $500 million. U.S. exports to Poland during the first ten months of 1974 totaled $320 million, an increase of 16.6 percent, and should break the $400 million mark by the end of the year. This trade will yield the United States a surplus of over $100 million.

In 1974, the United States again increased its share of Polish imports, from 4 to 4.4 percent, becoming Poland's second major supplier in the West and sixth in the world. A threefold growth in exports of machinery, transport equipment, and manufactured goods contributed to the advance. These categories offer the best opportunities for future growth.



Poland looks to the United States especially for capital goods and cooperation opportunities. Complete plants, licenses, technological lines, machinery and equipment are needed for Poland's growth industries: chemicals and petrochemicals, electrical engineering, coal mining and processing, non-ferrous metallurgy, food processing, construction, transport, and various light industries. Interest is high for cooperation in these fields.

Poland is embarked on an ambitious program of industrial modernization. Plans for 1976-80 quinquennium as well as for specific industries are in the drafting stage. Comprehensive development plans covering technical research, investment and production were formulated recently for key areas of the economy: coal conversion, development of copper and copper alloy production, development of materials for electronic components, production and consumption of proteins, development of residential construction, and use of domestic raw materials for aluminum production. All involve new technology, some of which may be sought in the West.

Signs of overheating in the Polish economy are appearing with investment near its ceiling, inflationary pressures, and a serious deficit in the foreign trade balance. The 1975 plan limits new investments during the first half of the year and accelerates the growth of exports in relation to imports; nevertheless, it projects substantial growth, with industrial production to increase at the 11 percent annual rate averaged in previous years. Highest growth is envisaged for the minerals, electroengineering, chemical, and wood and paper industries.

Poland's modernization drive offers export opportunities for a variety of equipment and technology, including that for the packaging, prefabricated construction, furniture manufacture, printing, and machine tools industries. Work safety equipment will be featured at a special exhibition, SECURA, in April.

Romania

Economic Plans Provide U.S. Trade Potential

Trade between the United States and Romania, which has increased nearly eighteenfold since 1968, should continue to grow at a significant rate in 1975. U.S. exports to Romania for 1974 are expected to reach $260 million, more than double the 1973 level. U.S. imports should reach $130 million, also over double the 1973 level, according to Donald J. Hasfurther of the Bureau of East-West Trade.

The draft of the Romanian 1976-80 five-year plan envisions an overall increase in foreign trade of between 72 and 80 percent. The United States should be able to benefit substantially from this increase, particularly when MFN tariff treatment is extended to Romania.

According to the draft five-year plan, the Romanians will devote their greatest emphasis upon development of the chemical and machine building industries. Within the chemical industry, petrochemicals, including production of synthetic fibers and yarns, synthetic rubber, and plastics, together with chemical fertilizers and pharmaceuticals, will receive increased attention. Within the machine building industry, production of means of automation, data processing equipment, passenger cars, trucks, and tractors, as well as ocean and river vessels are sectors of highest priority. Both industries provide numerous opportunities for U.S. trade and economic cooperation.

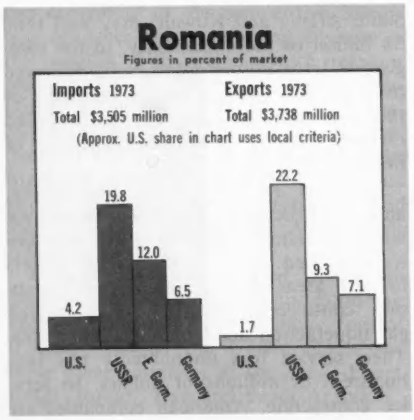
Great attention is also given to the geological exploration of new energy resources. Exploration for new sources of coal and hydrocarbons is to be intensified. Deep drilling for crude oil and gas, including off-shore operations, will expand. Construction on Romania's first nuclear power plant is scheduled to begin in 1976.

Metallurgy should also provide numerous opportunities for U.S. trade and investment. According to the draft five-year plan, great emphasis will be placed on production of steel, aluminum, and converter copper. Construction of the Calarasi iron and steel center is to begin, and the aluminum capacities of Oradea and Tulcea are to be expanded. In addition, Western cooperation is sought for processing copper, lead and zinc concentrates.

The rate at which U.S. exports develop in 1975 will depend on several factors. The most important are the availability of credit, the availability of such U.S. short-supply items as feed grains and coking coal, and the extension of MFN.

Romania is presently suffering a huge trade deficit with the United States. Before it can significantly increase its imports from the United States, Romania must be in a position to substantially increase its exports to this country. MFN treatment for Romania is an important step in this direction: not only will U.S. businessmen be able to export more to Romania, but such items as steel and chemical products, railroad rolling stock, and perhaps some construction materials, currently in short supply in the United States, should become exportable by the Romanians to the U.S.

The American-Romanian Economic Commission is scheduled to meet in the spring. In addition, the Commerce Department is planning a number of trade promotion activities in Romania.



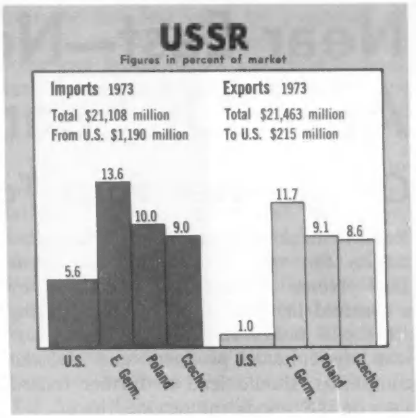
USSR

Following Slowdown, Prospects Look Better

U.S.-USSR trade turnover in 1974 is expected to reach close to $1 billion, according to Andrew Elias of the Bureau of East-West Trade.

U.S. exports will probably approximate $600 million, while U.S. imports from the USSR are likely to fall short of $400 million, giving the United States a trade surplus of about $200 million. In contrast to the expected 50 percent drop in U.S. shipments to the USSR in 1974 compared with 1973, Soviet shipments to the United States in 1974 will probably double their 1973 value. However, based on the value of contracts already signed, U.S. exports to the Soviet Union in 1975 are projected to increase by at least one-third above their 1974 level. Most of the increase, as well as most of the total shipments, will be in machinery and equipment.

The anticipated halving of U.S. exports to and the doubling of U.S. imports from the USSR in 1974 were caused essentially by two factors. On the U.S. export side, there was a sharp decline in shipments of



agricultural products which was not offset to an important extent by the growth in U.S. shipments of manufactures. On the U.S. import side, our demand continued to be strong, especially for those Soviet commodities which were affected by price inflation. These included platinum and platinum group metals, petroleum and petroleum products, nickel and nickel alloys, diamonds, non ferrous metal ores, and an assortment of base metals. U.S. exports, besides unmilled corn, wheat, and rye, consisted mostly of pumps and centrifuges, machine tools for working metal, mineral and glass working machinery, mechanical handling machinery and equipment, electrical machinery and apparatus, hides, organic chemicals, electrical measuring and controlling apparatus, gas turbines and parts, iron and steel plates and sheets, textile machinery, and rubber products.

It appears that after the huge U.S. grain exports to the Soviet Union in 1973, the trade between the two countries has been undergoing a stabilizing readjustment to a more permanent long-term structure. New Soviet orders for American machinery and equipment seem to be running ahead of total Soviet orders from industrialized Western countries as a whole. U.S. firms signed contracts to build four ammonia plants valued at approximately $200 million, a $53 million polystyrene plant, a $45 million iron ore pelletizing plant, and to provide $100 million in construction equipment.

Giant construction and development projects, especially those planned in various parts of Siberia, may offer U.S. export industries opportunities on an unprecedented scale. Developments in 1974 already point in this direction. Soviet purchases for some of these projects, or their major parts, may involve amounts of several billion dollars which, in most cases, would be repaid in products, once the projects become operative. It is anticipated that the U.S. deliveries of machinery and equipment for these projects may extend over several years.

Near East—North Africa: Area Of Soaring Markets

Oil Revenues Point To Climbing U.S. Sales

Recent hikes in economic development targets for most countries of the Near East—North Africa area, stimulated by a fourfold increase in oil revenues during 1974 plus heavy requirements for American agricultural products and defense equipment, should lead to further record sales of U.S. goods and services there.

American exports are expected to rise to over $8.5 billion in 1975 and American firms will win consulting or construction contracts for projects involving many billions of dollars, according to George T. Beck of the Commerce Action Group for the Near East (CAGNE). CAGNE, a special unit of the Bureau of International Commerce, was created in August 1974 to promote U.S. business interests in this 19-country market of 150 million people.

There are good prospects for continued expansion of import demand and overseas contracting services in the area in 1975. Such demand will be more than underwritten by anticipated foreign exchange earnings probably ranging between $70 and $90 billion in 1975, up slightly from 1974.

Recent statistics of major exporting nations suggest that this 19-country area may import about $30 billion in goods during 1974 with the United States contributing 20-25 percent. Assuming continued liberal lending and donations by major oil revenue recipient countries of the area to their Arab neighbors, and a general improvement of local economic development administration, overall imports from the world are likely to rise to $40-$45 billion in 1975.

Limiting factors

Limiting factors to greater trade expansion include the scarcity of trained local decision makers and administrators; heavy port congestion; and limited consumer purchasing power, as the new oil wealth has not filtered down in great measure to the common man. Projected oil revenues cannot be fully absorbed now and billions of dollars worth of Arab and Iranian funds will be loaned to multilateral organizations for assistance to developing countries or invested abroad. Some of these funds could well be tapped by American entrepreneurs for projects in third countries.

U.S. exports to the region rose to $5.6 billion during January-November 1974, far surpassing the $3.1 billion for the same period of 1973. This 76 percent increase raised the area's share of U.S. exports to the world to 6.2 percent from 4.9 percent. Total U.S. exports to the region for 1974 are expected to reach $6.2 billion. U.S. imports from the area are projected at $5.7 billion in 1974, compared to $1.8 billion in 1973.

U.S. export gains anticipated for 1975 in major markets of the area are, at best, rough expectations of what U.S. exporters might reasonably achieve in light of the increased level of economic activity forecast for each country. However, the competitive situation in 1975 could be altered considerably if European nations and Japan succeed in their current efforts to work out with major Arab nations and Iran "oil for technology" schemes which would preempt the market for some manufactured goods. With this qualification, the U.S. export gains foreseen in the two non-Arab countries of the region are $725 million for Iran and $225 million for Israel. For Eastern Arab nations, a gain of some $500 million is anticipated in Saudi Arabia, $300 million in Iraq, and some $50-$75 million each for Lebanon, Kuwait, and the United Arab Emirates.

As the official trade statistics for Iran, Iraq, Saudi Arabia and the United Arab Emirates lag by more than a year and fail to reflect the recent notable upsurge in their exports and imports, their approximate trade has been reconstructed from trade statistics of major exporting nations as reported in the IMF publication, "Direction of Trade." The country trade totals do not include trade with Eastern European countries or the People's Republic of China.

With respect to three of the Arab nations of North Africa, constituting a somewhat separate marketing area because of French language ties and close links with the European Economic Community, a gain of $250 million is projected for Algeria, $150 million for Morocco, and $50 million for Tunisia. U.S. exports to Egypt are expected to increase by $110 million.

The eight area countries not separately discussed in the articles that follow should not be overlooked. Libya, with annual oil revenues exceeding $6 billion annually, could become a much larger market for U.S. goods and services; a $50 million gain to a total of $200 million in U.S. sales is anticipated in 1975. Qatar and Oman are two potentially important markets. Although U.S. trade with Qatar is projected at only $50 million for 1975, this value could gradually quadruple in view of Qatar's rapidly rising oil income. Almost the same observation could be made about Oman. U.S. exports to Bahrain are expected to double to $80 million in 1974 and to attain $100 million in 1975.

American commercial activity in Bahrain, Oman, Qatar and the United Arab Emirates will be facilitated as a result of the appointment of U.S. Ambassadors to those countries in 1974.

Syria supplements its limited foreign exchange earnings with loans and grants from other Arab nations. With the resumption of U.S.-Syrian diplomatic links in early 1974, our exports should grow to $60 million in 1975. American exports to Jordan may increase to $120 million in 1975 as U.S. AID assistance is high and the country's foreign exchange earnings are improving slightly. Modest trade and service contract opportunities are arising in the Yemen Arab Republic and in the Peoples Democratic Republic of Yemen (Aden).

Viewed in widest perspective, the role of American business in this fast-growing market is enormous, even if perhaps inadequate to meet our new balance of payment problems created by the sharp increase in oil prices. However, the United States' overall commercial role has some great strengths and at least one potential weakness that could perhaps be overcome if better understood. On the plus side, much of our record trade with the area rests on the supply of agricultural products and on sales of military equipment. Of the $5.6 billion supplied by the United States during January-November 1974, U.S. exports of agricultural products accounted for well over $1 billion and they should rise considerably in 1975.

Actual U.S. exports of defense equipment to the area during the same period amounted to approximately $800 million. Military equipment sales agreements concluded during 1974 for delivery over the next year or two (principally to Iran, Saudi Arabia and Kuwait) may well total $4 billion or more. Similarly, in the category of large export orders to be delivered over the next year or two to countries of the area are contracts for wide-bodied civilian aircraft valued at hundreds of millions of dollars.

Certainly in architecture, engineering, and construction, American firms are winning major design or turn-key contracts valued at many billions of dollars in such areas as port and airport expansion, construction of urban township, and gas liquefaction and desalinization plants. Their service fees undoubtedly run into hundreds of millions of dollars. In service contracting, American companies are

also obtaining large operations and maintenance contracts in such fields as hospital administration and port management.

One weakness in the present U.S. commercial performance is the failure to respond positively to the desire of many countries of the area to begin the establishment of basic or light industries. For most of these countries, petroleum-based industries—particularly petrochemicals—are high on the list of most-wanted new enterprises. The range of planned industrial projects also include steel mills, aluminum smelters, textile plants, automobile and truck assembly plants, electronic industries and railway equipment plants. In agrobusiness, the countries are seeking modern farm industries—such as livestock, dairy, and poultry production.

A review of industrial contracts signed recently indicates that European, Eastern European and Japanese firms are winning a preponderant share of these new industrial projects. This factor could have some adverse effects for U.S. industrial equipment suppliers in the future. Hopefully, the recent visits of high-level U.S. industrial missions organized by the National Association of Manufacturers and other sponsors, and forthcoming missions organized by the Department of Commerce and the Overseas Private Investment Corporation, will focus attention on this area.

The Bureau of International Commerce's CAGNE unit is conducting business seminars and issuing publications to create greater awareness of the many new commercial opportunities arising daily in this fast moving market. Its newly revised publication, "The Near East and North Africa: A Report to U.S. Business," describes trade and investment opportunities in this area, advises American businessmen how to do business there, and outlines the various kinds of help available from the Department of Commerce and other U.S. government agencies.

CAGNE was established to serve as the focal point for the total Commerce Department response to the new economic situation in the Near East and North Africa. It pulls together all of the many resources of the Department that can contribute to the competitive advantage of Americans conducting business in this market. This includes such relevant resources as the Domestic and International Business Administration—Commerce's main trade and investment arm, the Office of Science and Technology, the Maritime Administration, the Social and Economics Statistics Administration, and the National Oceanic and Atmospheric Administration.

CAGNE is also involved in various bilateral Joint Commissions for Economic and Commercial Cooperation formed recently between the United States and these other countries of the area—Egypt, Israel, Jordan, Iran and Saudi Arabia.

Israel

Inflation, Deficit Spur Austerity Measures

The economy of Israel is suffering from galloping inflation and severe balance of payments difficulties. The Consumer Price Index rose 44.5 percent during the first 11 months of 1974, compared with a 26.4 percent rise in all of 1973. The 1974 balance of payments deficit is now predicted to be as high as $3.5 billion, reports Michel Smith of the Bureau of International Commerce.

On Nov. 10, in an effort to place the economy on a more even keel, the Government of Israel announced an emergency economic program, the major components of which were: devaluation of the Israel pound by 42.9 percent (the eighth devaluation of the currency since 1948); a reduction in the general import duty from 35 to 15 percent; and the six-month prohibition of the import of some 29 "luxury" goods, such as automobiles, television sets, vacuum cleaners, and furniture. It appears, however, that the market in Israel for capital goods will not be adversely affected by these austerity measures.

Economy expands

Despite inflation, which will take time to bring under control, the economy continues to expand. The real increase in GNP was expected to rise to 6.9 percent in 1974, compared with a 3.6 percent growth in 1973.

Israeli imports of U.S. goods (excluding arms) rose in 1973 to $564 million, compared with $368 million in 1972. The increase, however, failed to keep pace with the rise in imports in general. The U.S. share of the Israeli market fell for the second straight year in 1973—to an alltime low of 18.8 percent. One critical adverse factor has been the growing effect of Israel's preferential trade arrangements with the European Economic Community. Another factor has been a less-than-satisfactory reputation of American suppliers for after-sales service.

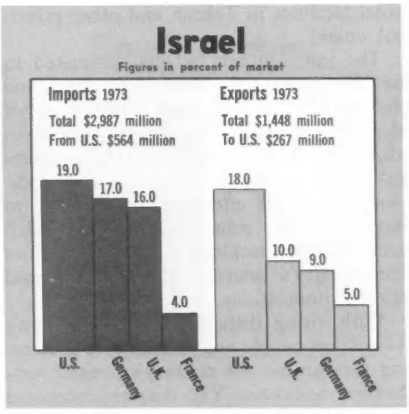
While U.S. products generally enjoy a good reputation for quality, and while prices have generally remained competitive vis-a-vis prices of similar goods from other countries, U.S. exporters need to pay close attention to the problems of their agents and distributors to ensure a high standard of service. In the case of products where high reliability is important—for example, hospital equipment, production machinery—the lack of adequate service can be a serious deterrent to sales.

The overall decline in the U.S. share of the Israeli market has been partially offset over the last few years by purchases of civilian aircraft. Introduction of new American brand names and product lines into Israel has not kept pace with the many outstanding market opportunities in that country.

Imports into Israel are expected to increase 20 percent during 1975, particularly in the area of capital equipment. U.S. sales to that market, therefore, should continue the rapid growth of the last few years. In order to stimulate U.S. sales, the U.S. Department of Commerce is coordinating the details of a "Technology Show and Sell in Israel" trade mission to be held Feb. 9-15, 1975, in Tel Aviv. This event will provide an outstanding showcase for U.S. technology for the production or processing of industrial and consumer products.

Products which offer the best prospects for sales are those high-technology goods for which the U.S. reputation for quality commands respect even at a premium price and those products which offer a promise of saving on labor or time. For example, the electronics industry, one of the fastest growing in Israel, is a very favorable market for U.S. exports. Tourism has become Israel's principal net foreign exchange earner. All kinds of equipment, appliances and supplies for the hotel, restaurant, and tourist trade continue to be required. Construction and expansion of hospital and medical facilities is also receiving emphasis. There is an excellent market for techniques, including prefabrication, to speed up construction at building sites.

Israel's chief imports from the United States are agricultural products, machinery and electrical equipment, rough diamonds, automobiles, ships, aircraft, metal products, chemicals, optical and measuring instruments, paper, cardboard products, books, and textiles and clothing. Its chief exports to the United States are diamonds, semiprecious stones, clothing, rubber tires and tubes, fruits and vegetables, small machine parts, and miscellaneous manufactures.



Iran

Pace of Economic Development Spurts

The Iranian market provides unprecedented opportunities for U.S. suppliers of all types of goods and services. The recent dramatic increases in world crude oil prices have boosted Iran's foreign exchange earnings to well over $20 billion a year, according to Michel Smith of the Bureau of International Commerce.

As a result, the pace of economic development has increased dramatically. Capital investments under Iran's ambitious fifth plan (1973-78) are now projected at $69.6 billion, or almost double the amount originally set in March 1973. Private-sector investments account for about 35 percent of this projected figure. The sectors receiving the largest inputs of capital are housing, petroleum, heavy industry, communications, and water and power.

Iran has long boasted one of the highest sustained economic growth rates in the world. Moreover, among the oil exporting countries of the Middle East, Iran alone has an economy sufficiently strong and diversified to put its oil wealth to work. The real GNP growth rate, which averaged more than 11 percent a year between 1964 and 1974, jumped to 32.8 percent during 1973-74 and is expected to exceed 40 percent in the current Iranian calendar year (ending March 1975). The government estimates that per capita GNP will reach $1,570 this year, a threefold increase since 1972.

Manpower limited

Iran's accelerated growth, however, has led to some serious problems. Urgent needs for trained manpower in every sector of the economy far exceed the domestic supply; the government is working hard to reduce illiteracy and to develop adequate vocational training programs. An influx of foreign managers and technicians is putting a severe strain on hotel facilities in Tehran and other principal cities.

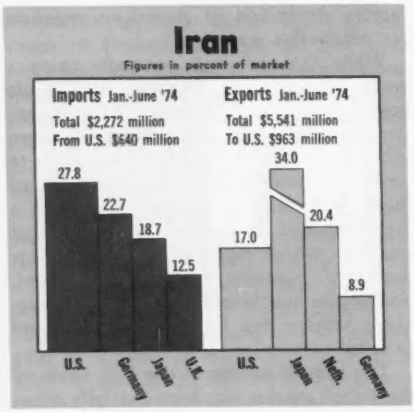
The inflation rate is now estimated to be in excess of 20 percent a year, and the government has taken a number of steps to combat it, including import liberalization, selective price controls, and subsidized prices for certain basic commodities. Substantial efforts are under way to modernize the principal seaports, which are critically backlogged, and to expand the country's internal transportation and telecommunications networks.

With rising disposable incomes, Iran's 33 million people are placing ever-increasing pressure on the country's limited agricultural resources. Yet, despite impressive progress in irrigation, mechanization and use of chemical fertilizers, Iranian agriculture lags behind the rest of the economy. Because of dry weather and reduced harvests, some 2.2 million tons of wheat and 300,000 tons of rice will have to be imported during the 1974-75 crop year, mostly from the United States. The government is trying to stimulate livestock and poultry production and overhaul the country's obsolete food processing and distribution system. Nevertheless, it is clear that Iran will become increasingly reliant on imported agricultural commodities.

The United States, West Germany and Japan have long been major suppliers to Iran. U.S. exports to that market during the first 10 months of 1974 were more than twice the total for all of 1973, despite a slight reduction in our share of the civilian market. U.S. sales to Iran are expected to keep pace with the 40-50 percent growth predicted for the Iranian import market in 1975.

The government is determined to maintain a good investment climate as a means of increasing the pace of industrialization. American firms or groups of firms that can offer complete project development packages which emphasize training of Iranian workers and eventual local management control will find Iranian authorities more receptive to their proposals. The many projects being carried out by joint ventures of American and Iranian interests offer outstanding sales opportunities to U.S. suppliers of equipment and services.

To take full advantage of sales opportunities presented by the Iranian economic boom, the Commerce Department is mounting a number of product exhibits at the U.S. Trade Center in Tehran in 1975, featuring such items as automotive repair equipment, portable power tools, property protection devices, food processing and packaging equipment, and instruments and control systems. The United States will also participate increasingly in international trade shows sponsored by Iran.



Kuwait

Hardware Needed For Industrialization

U.S. exports to Kuwait will probably approach $350 million in 1975, as the market for consumer goods and sophisticated military equipment continues to grow and as ambitious industrialization and urbanization projects require increasing amounts of hardware and services, according to John Ziolkowski, a Foreign Service Officer recently assigned to the U.S. Embassy in Kuwait.

Fueled by skyrocketing oil prices, Kuwait's earnings from petroleum were estimated at $8 billion in 1974, more than double the amount earned in 1973. The budget for the fiscal year ending March 31, 1975, calls for expenditures of $585 million, excluding new military expenditures or government foreign investment. Both earnings and government budgets have grown by 50 percent or more annually in recent years. The amount of money available to Kuwait means that the budget is limited only by the ability of the government planners to screen or administer development projects and the availability of material. Personal income is increasing and the market for foodstuffs, clothing, recreational goods and other items is stronger than ever.

Although the sheer volume of businessmen flocking to Kuwait combined with the limited absorptive capacity in a nation of less than one million people makes competition keen, fine opportunities exist for the businessman prepared to explore the market intelligently.

The United States remains in the No. 2 spot after Japan as a source of imports for Kuwait, the United States supplying 14 percent of the market and the Japanese, 18 percent. The United Kingdom and West Germany have the next largest shares of the market.

During the first ten months of 1974, U.S. exports to Kuwait amounted to $158 million, an increase of about $60 million over the same period in 1973. The largest category was machinery and transportation equipment totaling $90.6 million, of which $40.8 million was for motor vehicles and parts and $18 million for heating and cooling machinery and equipment. Foodstuffs, mainly rice, accounted for $12.2 million and tobacco manufactures $18 million. Manufactured goods and consumer products accounted for most of the balance of U.S. exports to Kuwait.

Demand for goods in these categories should remain strong and the market for clothing, recreational equipment, food and other personal items should grow as individual income increases.

Large industrialization and public works

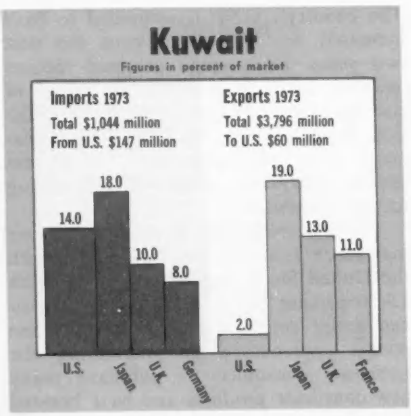
programs will increase the current need for capital goods. The main projects are in construction—housing, schools and hospitals, road building, power generation and water treatment. Housing should be particularly active since total expenditures of nearly $800 million are foreseen for public housing and planned communities over the next two or three years.

U.S. planning and consulting firms may find opportunities to participate with the Kuwait government and private sector in a variety of development plans. There is a need and desire for firms which can provide a total development "package", that is, planning an industry from the initial stages through construction, production and marketing.

The industrial growth and the emergence of Kuwait as a banking and financial center will enhance the market for computers and computer technology. Prospects for growth of the computer industry in Kuwait and neighboring countries are outlined in a recent market study, "Eastern Arab Demand for Computers", prepared for the Commerce Department's Action Group for the Near East.

Kuwait's high oil revenues mean that its already excellent balance of payments position is improving every year. Kuwait will use these consistent surpluses not only for development and investment within its own borders, but also to continue its role as one of the most active Near East nations in the supply of capital for programs in developing countries. This should provide additional opportunities for U.S. exporters and investors to work on "triangular" financial programs whereby American goods and technology financed by Kuwaiti funds can be put to work in less developed nations.

In late 1975 two events are planned which will offer U.S. manufacturers opportunities to reach this growing market. An Industrial Machinery Trade Mission and a Food Processing and Packaging Catalog Show will enable U.S. executives to visit and promote their products and services.



Saudi Arabia

U.S. Goods, Services In Increasing Demand

U.S. exports to Saudia Arabia reached $387 million through the first half of 1974, compared with $442 million in all of 1973. They could reach $825 million for full year 1974, according to T. Patrick Killough of the Bureau of International Commerce. All of the areas in which U.S. sales to Saudi Arabia have traditionally been strong will be represented in this rise, notably feedgrains (mainly wheat, flour and rice), a wide range of manufactured consumer goods, construction equipment, automobiles, aircraft and military defense equipment.

Demand for a broad range of construction equipment, building materials, oil field equipment, and trucks is currently increasing. A steady, orderly market for U.S. capital equipment and related supplies is created by the petroleum sector, as the Saudi Government in cooperation with ARAMCO resumes its war-interrupted program of expanding oil production from approximately 7 million barrels per day. Massive spending on residential construction, office buildings, hospitals, and government offices continues to transform the appearance of Saudi Arabia's major cities. The widely scattered communities of the nation are being brought closer together by ongoing construction of highways, telecommunications networks, and expansion of existing port and airport facilities.

By the middle of 1975 the first fruits of the Kingdom's recent dedication to industrialization and economic diversification should become apparent as the government makes the basic policy decisions regarding future plans, and selects from among the hundreds of recently offered foreign investment proposals, many involving industries based on natural gas and petroleum by-products. U.S. Ambassador James Akins, in the June 24 issue of *Commerce Today*, estimated that new industrial investment will total $10 billion by 1982. The annual Saudi demand for American exports could well grow steadily to $2 billion or more within the next two or three years. This assumes that the United States is able to maintain its present 30 percent share of the market in the face of increasing competition from Japan and European nations.

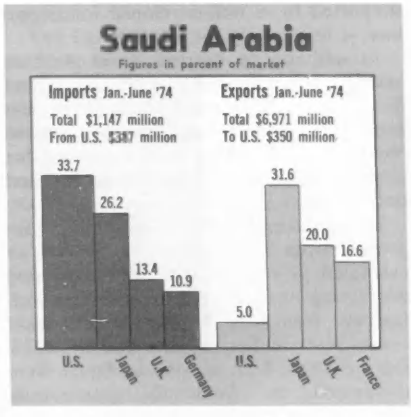
U.S. access to the Saudi marketplace as well as the Saudi industrialization process will be greatly supported by the recent establishment of a U.S.-Saudi Joint Commission on Economic Cooperation. Headed on the U.S. side by Treasury Secretary William Simon, this Commission operates through four joint working groups. The first, the Working Group on Industrialization, has begun general discussions on Saudi Arabia's industrial development and the role of private U.S. business in the development process. The three other working groups are Manpower and Education, Technology and Science, and Agriculture.

Three Commerce trade missions visited Saudi Arabia in 1974, successfully probing the Saudi market for equipment and technology in the fields of education, telecommunications, and water resources. Future events planned include trade missions and "show-and-sell" groups on specialized railway equipment in February 1975, and building materials and construction equipment in April 1975. The first Commerce product exhibition ever held in Saudi Arabia is scheduled for November 1975 in Riyadh, the Kingdom's inland capital, on the theme of building materials, systems, and technology. In addition, a number of state development agencies and national trade associations have conducted missions comprising a variety of interests.

The U.S. Embassy in Jidda and our Consulate General in Dhahran continue to emphasize that there is no substitute for a personal visit to Saudi Arabia by American businessmen determined to penetrate the market. Careful selection followed by all-out support of an on-the-spot representative are also urged.

There is room for many U.S. engineering, construction, architectural and general consulting firms to set up resident offices in Saudi Arabia in order to take part from the beginning in one of the world's most massive sustained programs of construction and industrialization. Currently, there are virtually no resident Americans in a position to market such skills.

Several thousand American, European and Asian businessmen are expected to take up residence in Saudi Arabia in the remainder of the 1970s. This will create a growing market for prefabricated and modular housing and a demand for American educators and educational equipment.



Egypt

Economic Development Programs Rank High

Large numbers of American businessmen are being attracted by the significantly improving aspects of the economic and investment climates in the Arab Republic of Egypt. Under the leadership of President Sadat, the government is liberalizing the economy and developing an open economic policy. Alongside the public sector, private sector economic activities are being encouraged, reports John Haldane of the Bureau of International Commerce.

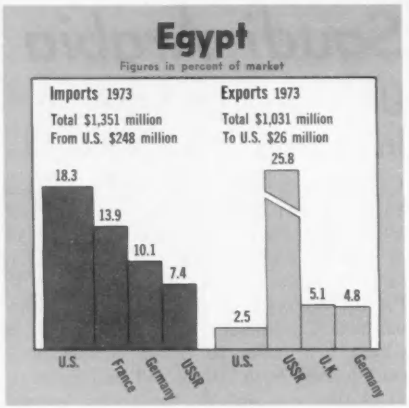
Egypt is giving priority to a number of economic policies. Ranking high among these priorities are programs for commodity imports, reconstruction of the cities along the Suez Canal, reactivation and utilization of idle industrial capacity, and the rehabilitation of the economic infrastructure. Implementation and planning of projects relating to these priorities is already under way, creating opportunities for the sale of U.S. equipment and services.

As the year 1974 closed, Egypt appeared to be on the threshold of a new stage in its economic history. The government set forth a statement of principles to guide Egyptian development which includes consolidation of state-owned sectors, liberalization of the private sector, provision of incentives to private foreign investment, expanded economic cooperation with Arab countries, reconstruction of the Suez Canal area, and establishment of new free trade zones.

Much of the current international interest in Egypt stems from the country's positive economic advantages, such as its geographic setting providing easy access to Europe, Africa, and Asia, and its population of nearly 38 million, by far the largest consumer market in the Arab world. Egypt has a skilled, disciplined industrial labor force and its economy, based on both agriculture and industry, is supported by a well-developed infrastructure.

In addition to current Saudi Arabian and Kuwaiti financial assistance, about $1 billion in project-related funds has been offered by Iran, and the United States is considering $250 million for short-term economic reconstruction and development.

Egypt's demand for U.S. imports increased from $248 million in 1973 to an estimated $400 million in 1974. Assuming continuing international financial support, imports from the United States could reach $600 million by the end of 1975. During 1974, U.S. exports to Egypt were dominated by foodstuffs, particularly wheat, vegetable oils, and animal fats and oils, and by raw materials and equipment spare parts. However, a trend has appeared indicating larger imports of heavy industrial machinery and parts. For example, power generating machinery exports increased from $1.7 million in 1972 to $5.5 million in 1973, and should exceed the latter figure in 1974. Exports of machinery for special industry rose from $2.1 million in 1972 to $3.6 million in 1973 and estimated 1974 sales should pass the 1973 total.



Increasing numbers of American companies are sending representatives to Egypt to investigate sales opportunities. Many firms have expressed interest in the multi-billion dollar plans for reconstruction of the Suez Canal area as well as projects ranging in size from petrochemical complexes, refineries and sponge iron plants to a variety of smaller manufacturing ventures of $2-10 million.

Sales opportunities also are expanding in the petroleum sector. U.S. companies have signed 12 oil exploration agreements with Egypt recently, with outlays of up to $300 million contemplated over 8-12 years.

This brings to 17 the number of U.S. companies which have agreed to spend $530 million in oil exploration in Egypt. The influx of American oil companies is the result of the Egyptian Ministry of Petroleum's successful campaign to interest Western oil companies in prospecting in Egypt and is a bright spot in the foreign investment sector of the country's economy.

The Department of Commerce is giving increased attention to the trade potential of the Egyptian market. The United States will have a pavilion at the Cairo International Fair in March. Plans call for the participation of about 20 U.S. firms, many of whom have regional headquarters in Beirut. Also this year, trade missions focusing on railway equipment, cotton ginning and textile manufacturing equipment, and building materials are scheduled.

Lebanon

Provides Lively Market, Mideast Financial Hub

Lebanon's importance as a market for U.S. goods is evidenced by our sales of $135 million in 1973, projected exports of $275 million for 1974, and anticipated sales of $350 million in 1975, according to George Beck of the Bureau of International Commerce.

Beirut, Lebanon's major city, is important to many U.S. firms marketing their products in the Mideast, owing to Beirut's traditional role as a regional commercial center for U.S. companies. The city's significance is likely to increase further—it is rapidly acquiring a new role as a major financial center in which American and European banks can tap Arab surplus wealth for investment in the West or throughout the Arab world.

Many factors make Lebanon a growing market for industrial raw materials, machinery, equipment and consumer goods: high per capita income estimated at $1,200 per year; light industries whose exports to the booming Arab countries are doubling; new office, hotel and residential construction to accommodate hundreds of thousands of Arab and Western tourists and the thousands of resident foreign businessmen who utilize Beirut as a center because of its good entrepot facilities and convenient telecommunications and airway ties to other Mideast markets. Lebanon's own economic development needs also create export opportunities but, so far, achievements in implementing infrastructure projects under the country's Seven-Year Development Program (1972-77) have been slow in their progress. However, a new policy announced in November 1974 stresses the government's determination to give high priority to low-income housing construction and to the expansion of international telecommunications facilities to meet heavy new demand.

Most economic indicators are favorable. The country's GNP is estimated to have increased by 25 percent over the past two years but average personal income gains at 20 percent are barely ahead of cost-of-living increases induced by inflation. Imports are up heavily, as the Lebanese currency appreciated 32 percent against the dollar—thereby stimulating foreign purchases.

The U.S. trade outlook is good. Imports may reach $1.8 billion (c.i.f.) in 1974 with the United States the major supplier with 15-20 percent of the market. The American dollar devaluation and the Lebanese pound appreciation are permitting the Lebanese consumer to purchase many new consumer products and have boosted

the American share of automobile sales.

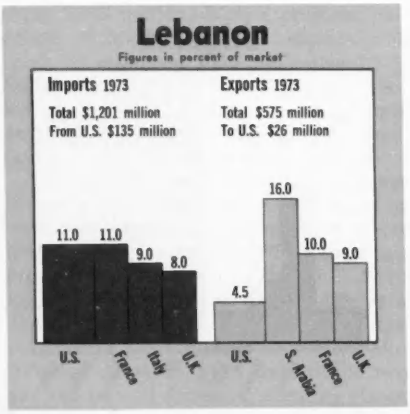
The Lebanese government hopes to obtain new legislation early this year which would greatly facilitate development of Beirut as a true regional financial center to handle the region's greatly expanded supply of petrodollars. Currently, relatively little Arab money has been deposited in the country's 73 commercial banks.

In anticipation of Beirut's increasing financial role, the number of foreign commercial banks establishing operations there through the purchase of local banks or by opening regional representative offices has increased during the past six months from 35 to 57, and 23 American banking institutions now operate in Beirut. This financial influx is creating export opportunities in computerization and other automation equipment.

The banking and commercial intelligence provided by these foreign banking facilities is a further inducement to the establishment of commercial offices in Beirut. More than 450 U.S. firms are represented there through branches, subsidiaries or resident commercial representatives. The general demand for establishing offices in Beirut is greatly inflating the cost of rentals and leading to increasing competition for the small supply of competent staff.

Industrial, scientific and medical instrumentation, small commercial and industrial computers and equipment, business machinery and accessories, and communications equipment are four sectors that should be particularly attractive in terms of projected growth. Building and construction equipment, wood and metal working tools and machinery, and automotive diagnostic and repair equipment are additional promising markets.

The Embassy assists U.S. exporters in identifying and pursuing trade opportunities in Lebanon, and the U.S. Regional Trade Center in Beirut stages occasional trade promotions and develops information on commercial opportunities throughout the Near East.



UAE

Dynamic New Market For U.S. Products

The United Arab Emirates, now celebrating its third anniversary as a federal association of seven Emirates (formerly known as the Trucial States), is one of the most dynamic new markets in the Gulf for U.S. goods and services. U.S. exports to that market have leaped from $69 million in 1972 to $121 million in 1973, and to a projected level of $220 million in 1974. In 1975, our exports are likely to surpass $300 million, reports George Beck of the Bureau of International Commerce.

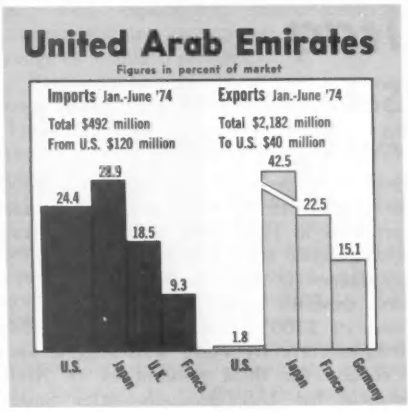
Major commercial and economic activity is still confined largely to the Emirate of Abu Dhabi, now the temporary capital of the new Federation and a recipient of more than half of the UAE's $5 billion in new oil revenues, and to Dubai, the second wealthiest Emirate which has long been the traditional commercial center in the Gulf. Both Abu Dhabi and Dubai are sharing their new wealth with other associated Emirates and are underwriting many of the large infrastructure and economic development programs designed to knit the new nation together. The Emirate of Sharjah is of particular interest to American business as the Emir, U.S.-educated, is endeavoring to attract American businessmen, interested in establishing offices of industries in the Federation, to Sharjam as a site.

Commercial, financial centers

Both Abu Dhabi and Dubai are growing fast as commercial and financial centers in the Gulf, in competition with Beirut to some extent. A considerable number of European and American commercial banks have opened branches in one or both Emirates, which dispose of large amounts of surplus funds. As the combined population of the seven Emirates is only about 350,000, the citizens of the new Federation enjoy, at least theoretically, per capita annual incomes exceeding $10,000. Actually, most of the Federation's wealth must be invested abroad at this time as the country's absorptive power for infrastructure and economic development projects is limited because of the lack of sufficient trained administrators and entrepreneurs and a shortage of skilled labor. Despite very extensive economic welfare programs, the average consumer's purchasing power is still quite low.

Total imports by the UAE during 1974 probably rose to about $1.5 billion, with the United States supplying 15 to 20 percent of the market and Japan, the principal supplier, 25 to 30 percent.

U.S. firms have been relatively successful in winning large architectural and construction contracts, notably in Abu Dhabi. Most major projects let by Dubai have been won by British firms. An American firm recently installed automatic telex facilities in both Abu Dhabi and Dubai.



Some Americans are now beginning to establish regional trade offices in Dubai because of this Emirate's good entrepot facilities for trade with other countries, particularly Oman; its very experienced commercial class; its expanding foreign banking facilities; and its good communications and transportation facilities.

As the economy of the UAE depends almost entirely on foreign expertise, it constitutes a large outlet for engineering and consulting services. Huge new projects are being undertaken in public housing, desalinization and energy supply, public health, education, transport and communications. Many new industrial projects are being started or planned, including several cement plants as well as a marine paint factory.

The Federation is attempting also to improve its fishing industry and, in cooperation with neighboring Arab states, is giving high priority to the development of an Arab oil tanker fleet. Construction is going ahead fast on a huge liquefied gas plant. Other infrastructure projects, roads, ports, and public buildings are advancing rapidly, but skilled labor is in very short supply.

The Government of Abu Dhabi is now studying three steel mill project proposals, one from India involving the use of Indian iron ore, and two others involving Japanese companies. Feasibility studies are being prepared by the foreign parties, each of which has offered to establish a plant as a joint venture with the government.

Two planned promotional events in the area in the latter part of 1975 will afford U.S. firms opportunities to visit and test the market: a Food Processing and Packaging Equipment Catalog Show and a Trade Mission for Specialized Industrial Machinery.

Iraq

Seen Becoming 2nd Arab U.S. Market

Iraq will probably import about $600 million worth of U.S. commodities and products in 1975. This would make Iraq the number two Arab market for U.S. products—up from twelfth place in 1972 and eleventh place in 1973. With U.S. sales of $300 million forecast for 1974, Iraq is currently vying with Algeria and Lebanon for third position as an Arab market for U.S. products—after Saudi Arabia and Egypt, according to T. Patrick Killough, a Foreign Service Officer recently assigned to Iraq.

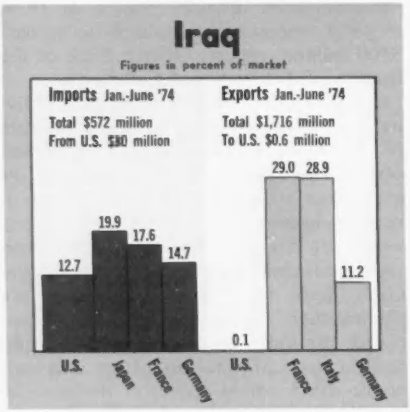
A new five-year plan, to take effect April 1, will give greatest emphasis to industry and agriculture but will also make massive expenditures in transportation, education, health and telecommunications. With about 150 major international projects being designed or implemented, Iraq's ruling Revolutionary Command Council has placed maximum stress on speed of implementation. A Major Projects Follow-up Committee has been established to cut through any red tape tending to slow down construction.

Seeing the nation's goal of rapid industrialization threatened by inadequate port facilities on the Persian Gulf, Iraqi authorities have built new rail and road links to the Syrian ports of Tartous and Latakia on the Mediterranean and are improving existing links with Turkey. The Command Council is in the market for a large fleet of air-cargo vehicles to fly in capital equipment and raw materials.

In 1974, American firms made significant sales to the highly centralized, Socialist Government of Iraq, despite the lack of U.S. diplomatic relations with that country. Leading sales categories have been food grains (especially wheat), jet passenger aircraft, steel pipes and oilfield equipment, computers and advanced accounting equipment, and a variety of industrial machinery and raw materials. Iraq is determined not to build up huge surpluses of unspendable oil revenues (the nation earned $7.5 billion from oil in 1974).

In 1975, U.S. firms have excellent opportunities to become active in the following fields: pharmaceuticals, pesticides, insecticides, fertilizers, tractors and farm equipment, office equipment and supplies, prefabricated buildings and building materials (Iraq is implementing the Arab world's largest public housing scheme), air-conditioners, passenger vehicles and buses, cotton ginning and textile manufacturing equipment, and consumer goods.

Competition for the lush Iraqi market is intense. One German manufacturer recently sold 10,000 trucks worth hundreds of millions of dollars in a single order. Most imports come in through one of eight Government-run procurement agencies which often place large orders on the basis of available catalogs and price lists. It is vital, therefore, that U.S. firms new to this market introduce themselves and their products to key Iraqi purchasing bodies and Government end-users. Local agents in the private sector are not permitted, nor is foreign capital investment being sought or permitted.



Algeria

$27 Billion Plan Fuels Investment Program

A massive state-directed development effort supported by increased revenue from hydrocarbons—Algeria's principal export—is creating the demand and the means to pay for steeply rising import needs, 77 percent of which is for capital equipment and semi-manufactures, estimated to exceed $4 billion in 1975. U.S. exporters, turn-key builders, and design/engineering and consulting firms will find a favorable reception and plentiful opportunities in most sectors, observes Laron L. Jensen of the Bureau of International Commerce.

Although statistics have not been published for Algerian trade last year, extrapolation of major supplier country statistics for the first half of 1974 indicates a 51 percent rise in imports, or $3.4 billion for the full year. GDP, for which statistics are also lacking, is estimated to have increased 45 percent to about $12 billion in 1974, essentially due to high petroleum prices. The current $27 billion four-year development plan projects a 10 percent real annual growth rate through 1977. Foreign exchange reserves are high: $1.9 billion in mid-1974; however, the government insists it will need this and more to achieve its development aims.

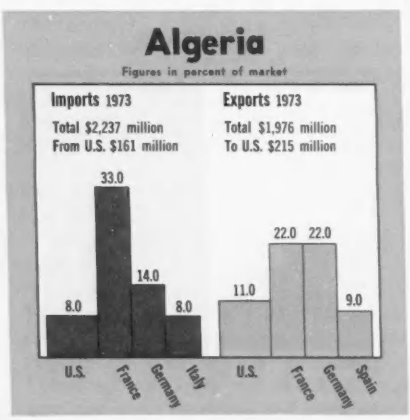
Imports are up in all areas because of Algeria's concentrated bootstrap development effort through which the government hopes to create and expand industrial capacity. Government investments during the 1974-77 plan period allot 44 percent for industry, including $10 billion for imported capital equipment.

Best prospects for U.S. companies in Algeria are limited mainly to one's imagination and ability to do business in a French-speaking, centralized and socialistic environment. For over 60 U.S. firms with offices and staff in Algeria, which have won major contracts valued at $1.3 billion, the country's business potential is immense. Other U.S. firms are negotiating for contracts worth over $6 billion. Many call for turn-key facilities and include provision, much desired by local authorities, for technical and managerial training of Algerian staff.

The development plan targets both infrastructure and productive facilities. New rail lines, ports and airports, irrigation facilities, hospitals, and three new universities will be built by 1977. Scheduled industrial investments include steel mills, aluminum and zinc plants, fertilizers and chemicals, building materials, electrical, mechanical, and food processing plants. Sales opportunities also exist for computers and business equipment, health care instrumentation, agribusiness equipment, communications gear and transport and construction equipment.

Over half of U.S. exports to Algeria ($300 million in 1974) consists of wheat and other agricultural products. The remainder is diversified: construction/mining/materials handling machinery, and industrial and transport equipment. European competition is strong, representing 70 percent of Algeria's foreign trade. However, tariffs are identical for all suppliers.

Commerce-sponsored promotions in 1975/76 include technical sales seminars in telecommunications equipment, and computers/business equipment.



Morocco

Industrializing Pushed; Import Market Expands

U.S. exports to Morocco will continue to increase substantially during the next year due to two prime factors—an active and expanding market for capital equipment and continued strong cereal imports, reports Claude Clement of the Bureau of International Commerce.

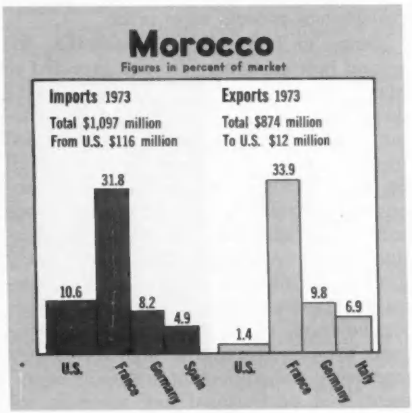
Morocco is embarking on a major program of industrialization under its 1973-77 $6.6 billion development plan. Last year's GNP of $5.9 billion (estimated) will rise about 20 percent in real terms in 1975 due to the magnitude of government and private investment spending for machinery, infrastructure, and plant construction and expansion. This high level of government spending, together with revenues produced by a 450 percent rise in phosphate prices in 1974, will offset such adverse economic factors as last year's disappointing agricultural output, decreasing tourist revenues, and a rate of inflation close to 14 percent.

While the Moroccanization program of buying 50 percent equity in the services sector and specified industries has slowed the growth of both foreign and domestic private investments, the government continues actively to pursue foreign direct investors. The 1973 Investment Codes provide substantial incentives to attract foreign investment into specific sectors, including tourism and export industries which are generally exempt from Moroccanization. The government is particularly interested in such U.S./Moroccan joint ventures as light industry for export; integrated fruit and vegetable growing, processing, and packaging; and manufacture of construction materials such as prestressed concrete forms.

Moroccan imports, which reached a record of $1.9 billion (estimated) in 1974, should climb another 15 percent this vear to $2.2 billion. Imports from the United States jumped 90 percent last year to about $215 million. With a projected increase of 56 percent, U.S. exports will reach an estimated $335 million in 1975 for a 15 percent share of the total market. Leading U.S. exports are wheat, corn and other cereals, aircraft, and construction and mining machinery.

The growth potential for U.S. exports is clearly illustrated by the magnitude of investment spending for major projects identified in the current Plan. Spending programs through 1977 include a $300 million allocation for mining equipment and expansion; $240 million for textile machinery; $230 million for a water distribution network; $136 million for two gas and two oil thermal generating plants; $85 million for telecommunications equipment; $55 million for locomotives; and $24 million for a cotton spinning factory. There is, moreover, good access to the Moroccan market, as 75 percent of the products imported are free of quotas and do not require import licenses.

Commerce-sponsored promotions which will take advantage of this growing market include participation in the 1975 Casablanca International Fair, a trade mission on specialized textile machinery, a technical sales seminar on telecommunications equipment, and a trade mission on food processing and packaging.



Tunisia

Oil Earnings Boost Market Prospects

U.S. exports to Tunisia will expand at a rapid rate in 1975 as increased spending pushes total imports to a projected record level of $825 million, Claude Clement of the Bureau of International Commerce observes.

Tunisian economic growth is surging ahead—thanks to record agricultural production in 1974, rapidly expanding industrialization, and across-the-board price increases for major Tunisian exports, especially petroleum and phosphate rock.

GDP, which grew only 3 percent in real terms in 1973 to $2.5 billion, increased sharply in 1974 toward $3 billion, primarily as a result of high mineral prices. Total Tunisian imports, which rose 15 percent in 1974 to exceed $700 million, should climb at a similar rate in 1975. U.S. exports in 1975, with a projected increase of 40 percent, should hit $135 million or 16 percent of the total market. Principal U.S. exports include wheat, other agricultural products, aircraft, pipes, computers, and mining and construction machinery. Tunisian industrial expansion is creating new markets for these products, as well as for oil and gas field equipment, instrumentation, communications equipment, and a wide range of technical services.

Petroleum exports have been a major contributor to the improvement in Tunisia's overall economic position during the past year. Inland fields and a new offshore oil field produced more than 4 million tons of high quality crude last year, adding significantly to government revenues for development spending. Total income from petroleum exports is expected to approach $450 million in 1974, tripling the 1973 oil earnings.

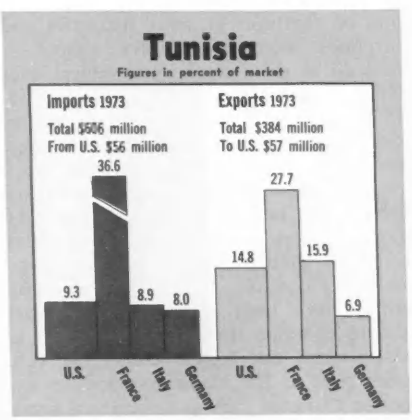
Other major sectors are showing a corresponding upswing. Phosphate exports are expected to exceed $160 million in 1974, stemming from a 450 percent price rise. Tourism, another major foreign exchange earner, increased by 25 percent in 1974, producing some $200 million.

Tunisia's Government encourages foreign direct investments, particularly in export-oriented, labor-intensive industries which earn needed foreign exchange and help redress the country's unemployment problem. Generous investment laws combined with preferential access to the EEC for most Tunisian exports give a strong impetus to foreign investment.

Several projects mentioned in the current $3.5 billion four-year plan will contribute substantially to an estimated 15 percent import growth through 1976. The government is moving ahead with plans for expansion of air and sea ports, rail lines, dams, tourist facilities, and productive facilities for minerals, iron and steel and cement.

The government hopes to finance 75 percent of new investment from domestic savings. International aid is also welcome. The World Bank is financing several major projects, including irrigation and water supply, expansion of phosphate development and hotel training schools.

Commerce Department trade promotional events this year include participation in May's Tunis International Fair and a technical sales seminar in telecommunications in June.



Far East—South Asian Region Faces Economic Difficulties

Oil, Inflation Problems Will Slow U.S. Exports

The economies of the countries representing the Far East and South Asia region are distorted, subjected to high rates of inflation, shortages of materials, rising unemployment, and in the case of America's largest overseas market, Japan, facing a deficit balance of payments position, according to T. A. Miyakawa of the Bureau of International Commerce.

The fuel crisis which continues to plague the region has upset the heretofore fairly steady growth toward industrialization and higher living standards for the people of all countries in the area. The economic disruption is expected to exact its toll by dampening the prospects for U.S. export growth from the estimated 44 percent in 1974 to about half or 23 percent for 1975. Despite the uncertainties that stem primarily from the oil-based problems resulting in trouble-plagued industrial sectors and rising unemployment, however, overall U.S. exports to the region should exceed $29 billion with Japan again accounting for its usual 46-48 percent of this total.

Just how severely Far Eastern and South Asian employment, production, and the payment balances will be affected by the oil problem is yet uncertain, particularly since the duration of the unsettled situation is unpredictable. This uncertainty compounds attempts at forecasts for U.S. exports to the area. With record high prices of internationally traded commodities, the anti-inflation policies of countries heavily dependent upon imports have failed—with limited exceptions—to control inflation, and the degenerating effects of inflation on the various economies of the region continue.

Japan, which is experiencing serious imbalances in its economy—due primarily to high cost energy imports, the average 31 percent wage increase, and a combination of shortages in some industries and surpluses in other industry sectors—is forecast to show some improvement over last year, especially beginning about mid-1975. Real growth predictions of government and respected research firms range between 4 and 6 percent compared with a possible negative rate and at best zero growth for last year. By mid-year, the Japanese hope it will be possible to relax somewhat their current stringent fiscal and monetary controls. U.S. exports to Japan which have been expanding each year should continue their growth at least in value terms due to the continuing U.S. price rises on the major commodities exported to Japan such as agricultural products, industrial raw materials, and machinery. No deliberate Japanese import controls are expected but overall demand could remain slack until the internal economic imbalances complete their expected readjustments by mid-1975. Economic vitality for this country, consequently, rests upon how quickly and broadly this realignment process takes place.

Gains in U.S. sales to Australia, the second best customer, are not expected to match those of last year. With a slowing down process in some sectors of the economy currently taking place, accompanied by a rise in unemployment, there may well be some slackening in the demand for imports, especially in the consumer goods sector. In addition, the recent devaluation of the Australian dollar will likely exert some influence on the level of Australian imports. The main offsetting factor, however, is that U.S. exports to Australia are concentrated in high technology machinery and equipment, transport equipment, and professional and scientific instrumentation. These products are expected to sell well as the country continues to expand industrially, though at a slower pace.

Growth in U.S. sales seen

Owing to the high level of international reserves, a relatively low level of external debt, inflation under control, and rising manufacturing productivity, U.S. sales to Taiwan should continue their expansion at about the same rate as last year. Increased activities in major industrial and infrastructure projects present numerous opportunities for sales of both goods and services, especially in view of the high level of reserves. Further, reaffirmation of the Government of Taiwan's "Buy American" policy accompanied by a growing concern about the increasing trade deficit with Japan, and increased promotional activity by the recently established U.S. Trade Center point to a possible $2 billion purchase of U.S. products, compared with $1.6 billion in 1974.

Korea, like Japan, is also facing economic difficulties. Its economy is largely dependent upon an upturn in the American and Japanese economies, thereby pointing to slow growth until at least mid-1975. The devaluation of the Korean currency by 20 percent vis-a-vis the U.S. dollar on Dec. 7, 1974, however, should aid Korean exports and thus improve the deteriorating balance of payments position. The government continues to implement its heavy and chemical industries development plans, including requirements for imported raw materials. It is placing greater emphasis on the electronic, shipbuilding, and machinery industries. Under these mixed conditions, U.S. sales could show a 30 percent increase to exceed $2 billion. As in Taiwan, sales promotion will be boosted by activities undertaken by the U.S. Trade Center in Seoul.

Singapore, a market of less than $1 billion for U.S. products until last year, is rapidly becoming one of the major purchasers of American goods. The continued rapid economic growth, strong balance of payments position, the continuing price competitiveness enjoyed by U.S. suppliers, and Singapore's sustained demand for capital goods are expected to increase U.S. sales by 40 percent to $1.4 billion during 1975.

The laissez-faire policies and political stability of Hong Kong are important factors which make the Crown Colony one of the better markets for U.S. goods in Asia. However, as contrasted to some other markets in this area, U.S. export growth is forecast as only slight during the year but is still expected to total $1.3 billion. Major factors in the slow growth rate are attributable primarily to efforts by the Hong Kong government to tighten financing combined with a slowdown in private capital equipment investments. In general, since to all intents and purposes Hong Kong is a free and open port with almost no restrictions on imports, U.S. exporters should find this market attractive and ready to accept an increasingly larger variety of U.S. goods.

American exports to Indonesia are projected at about $660 million in 1975 or 25 percent larger than last year. Increased exports will result from the considerably higher level of lending by the U.S. Export-Import Bank; continuing investment expenditures by U.S. firms, particularly the oil companies, facilitated by improved financing conditions and speeding up of project implementation; and increased purchases by Indonesian Government and private firms, to meet forward commitments. While the dollar value of U.S. exports has been rising, the U.S. market share declined slightly during the first seven months of last year and is likely to decline further during the current year. A major factor contributing to the decline is the curtailment of the P.L. 480 Program in Indonesia which has financed a significant part of U.S. exports to this country in the past.

In the Philippines, where perhaps inflation has become one of the most serious short term economic problems, U.S. sales in 1975 may show a 30 percent growth over 1974 and total $975 million. While further increase over those during 1974 is forecast, perhaps more in cost factors than quantity, constraints in the market share growth appear inevitable particu-

larly in view of declining Philippine export prices, imported inflation, and overall tighter domestic credit control.

U.S. sales to Thailand also may be largely in price increases primarily due to increased Thai inventories of imported raw materials for manufacturing and a slowdown of new investment. Further, a flagging economic growth rate is expected to compound the many economic problems. On the other hand, Thailand has been able to cope with the effects of increased oil prices and has ample foreign exchange reserves to pay for its import requirements, in particular the essential capital equipment which is so vital to industrial development.

Of the remaining countries, India, Pakistan, and New Zealand together are expected to account for about $1.8 billion in U.S. exports with India's import share of this total forecast to exceed $700 million.

India is expected to show only limited growth this year owing to a series of unfortunate experiences, including the need to import high cost petroleum, monsoons which curtailed agricultural output forcing foreign exchange expenditures on food and away from earmarked capital development, and severe shortages of electric power and raw materials. Despite these drawbacks, foreign exchange reserves remain steady and the Aid India Consortium has pledged assistance during India FY 1974-75.

The United States remains a leading supplier of agricultural and chemical products, and in addition, supplies heavy machinery, aircraft, and transportation equipment. India is actively seeking foreign investments in the export oriented sector.

While on balance economic prospects in Pakistan remain fair, it, like other countries in the area, is faced with inflation and a sharp rise in oil import costs. To offset these negative aspects, the government is attempting to stimulate the economy by reducing or eliminating export taxes on cotton, leather, and textiles. Although the United States remains Pakistan's leading supplier with 25 percent of the market, the American position has slipped to third in the sale of capital goods due to the relative American indifference and the determined effort by competing countries. Expansion of the country's telecommunications system and port expansion at Karachi and Port Qasim offer opportunities for the sale of U.S. capital equipment.

Other countries in the region will show varying rates of increased purchases from the United States, perhaps large in percentage terms but individually small in dollar values. In total, however, these smaller markets will help to raise total exports to the Far East and South Asia to an estimated $29.3 billion for this current year.

Japan

Economy Slow But U.S. Export Prospects Good

Although suffering from inflation, high cost energy imports, and a sluggish economy which is not expected to recover until mid-1975, U.S. exports to Japan should continue their rapid increase, reports T. A. Miyakawa of the Bureau of International Commerce.

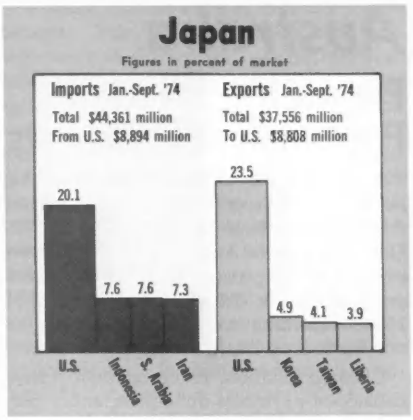
During the past year, despite the distorted economy—caused primarily by the four factors of high cost oil imports, the average 31 percent wage increase, unabated inflation, and rising unemployment—U.S. exports rose by an estimated 30 percent to $10.8 billion (f.o.b.). U.S. sales to Japan during this year are expected to continue expanding substantially, at least in dollar terms, due to persistent price rises on the major commodities exported to Japan.

Japan's real gross national product, increasing an average of 10.4 percent over the past decade, failed in all regards to maintain this rapid pace. Instead, real growth last year turned negative, the first time since the end of World War II, and at best approached zero growth. Complicated by inflation, recession, and unemployment, recovery will be a slow process but expansion of real GNP in 1975 of between 4 and 6 percent is thought possible. According to a government spokesman, however, "It will be an extremely difficult matter to manage the economy in 1975. We would like to view recovery over two to three years as being the medium term adjustment period . . . because the oil crisis is still with us and we have not fully recovered from the after effects."

Business confidence is lacking and the usually free spending Japanese industrialists realize the seriousness of their plight and have momentarily, at least, become an organization of worried executives. The Japanese business community is hardly unanimous concerning the means required to correct the unsettled economic situation resulting from the oil crisis, inflation, monetary and fiscal restrictions leading to an economic slowdown, increasing bankruptcies, and prospects of non-competitiveness in world markets.

Price rises to continue

Both wholesale and consumer prices are expected to continue rising at a rapid pace until mid-year with some slowing of the rate of increase thereafter. The October 1974 consumer price index rose nearly 26 percent over October 1973, the highest rate since 1949. The consumer price rises are expected to advance more rapidly than wholesale prices, as they did during the 1960s, but with price projections for 1975 suggesting that the inflation rate will be considerably less than in 1974. The high Japanese inflation rate, however, is making U.S. products more competitive, a point many U.S. exporters are discovering.



Because of Japan's huge energy bill, total 1974 imports (c.i.f.) could total $59 billion, of which the United States may account for $12 billion compared with $9.3 billion in 1973. The U.S. share of the market would be about 20 percent in 1974 as compared to 24 percent in 1973.

Japan's chief imports from the United States remain concentrated in the agricultural and forestry, chemical, machinery, and industrial raw materials sectors and include coal, non-electric machinery, corn, logs and lumber, and chemicals.

Some tariff concessions may be forthcoming during the General Agreement on Tariffs and Trade meetings scheduled to take place in Geneva starting Feb. 11. While reductions are helpful to U.S. exports, tariffs are no longer the effective barriers of previous years—as our exports now are affected more by the health of the Japanese economy.

Japanese industry continues to place greater emphasis on automation, that is, time and labor saving equipment to increase productivity and lower labor input. In the industrial sector, therefore, such product categories as computers, components, peripherals, data communications equipment, process control equipment, and numerical control machine tools will find good sales opportunities. U.S. sales prospects for consumer goods are expected to improve during the year as the Japanese economy hopefully begins to settle down and personal consumption once again advances.

After five years of surpluses, Japan's balance of payments turned sharply into a $10 billion deficit in 1973 and continued to remain in deficit last year. While the same trend is forecast for 1975, current estimates visualize the smaller figure of approximately $3 billion based on a possible second half recovery.

Australia

Prospects Favorable For More U.S. Exports

The downturn by the Australian economy in mid-1974 seems likely to continue throughout at least the first half of 1975. U.S. exports to Australia in 1975 however, may approach the US$3 billion mark, up about 30 percent over those of 1974, according to Nancy H. Keely of the Bureau of International Commerce.

Chronic inflation, rising unemployment, balance-of-payments difficulties, and a general decline in economic activity were key factors in reversing the previous boom conditions which characterized the economy between the end of the 1971-72 slowdown and mid-1974. The September 12 percent devaluation of the Australian dollar caused exports to Australia to become initially more expensive than last year, but changes in exchange rates between August 1971 and September 1974 have yielded a net appreciation of the Australian dollar of about 17 percent as against the U.S. dollar.

Finally, the government's budget (increasing Federal outlays about 32 percent over FY 74 levels), an expanding economy, emphasis on further industrialization of the nation, and an estimated 22.5 percent increase in average weekly incomes for males during FY 75 should combine to raise purchasing power and ultimately the level of U.S. exports to Australia in 1975.

The country's Consumer Price Index during FY 74 rose 14.4 percent (8.2 percent for the previous fiscal year). Government officials have forecast an inflationary rate of 20 percent later in FY 75. For FY 74, the GDP, in current prices, totaled US$73.4 billion, a real growth of 5.4 percent over that of the previous year. The government has forecast a real growth of 2 percent for FY 75.

An industrial trends survey indicated in September that 78 percent of the respondents expect a worsening of general business conditions. Industrial production of 15 out of 34 key items declined from June to August; lack of new orders was largely responsible for inhibiting output. As a counter measure, the Reserve Bank took several steps to relax the credit squeeze experienced during the past six months. To maintain consumer demand and increase corporate profitability, the government recently announced cuts in personal and company income taxes, the latter from 47.5 percent to 45 percent. However, a new 33.5 percent capital gains tax has been added.

As imports and unemployment have risen, there have been demands for quotas and higher tariffs for some industries. The government has provided broad protection initially by the 12 percent devaluation and a recent announcement of immediate and potential tariff measures designed to restrain selected imports.

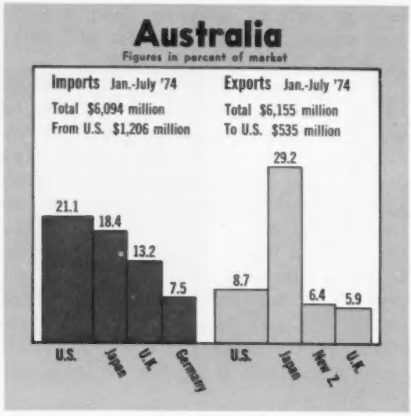
Australia finished FY 74 with a deficit of over US$1 billion in its balance of payments, the highest in 22 years. The result was a massive turnabout from the surplus of US$1.4 billion during 1972/73 and is the first deficit since 1966/67. Australia's official reserve assets fell to A$3.3 billion in September 1974 (down from peak of A$4.8 billion in January 1973). The drain on reserves was a principal reason for the September devaluation.

The United States, Australia's leading supplier, had a share of Australian imports amounting to 22.2 percent for FY 74, as compared with 20.8 percent for FY 73 and 21.1 percent for January-July 1974.

The plans for further development of Australia's vast mineral and agricultural resources offer excellent prospects for exports of U.S. capital goods, while rationalization of Australia's industry will provide attractive opportunities for labor-saving equipment. Traditional U.S. exports of industrial high-technology machinery and equipment, aircraft and other transport equipment, chemicals, and professional and scientific equipment should continue to do well in 1975. Bright prospects also exist for pollution monitoring and control equipment, printing equipment, data processing and business machines, bio-medical equipment, process control instrumentation, and materials handling equipment.

FY 74 saw a significant rise in consumer goods as a percentage of total imports from the United States, from 15 percent to almost 19 percent. Sporting goods, sound reproduction and recording equipment, floor coverings, and textile yarn and fashion fabrics were the principal gainers. Good prospects also exist for selected home furnishings, toys and games, home air conditioners, food freezers, and dishwashers. Despite devaluation and expected leveling off of some imports, the overall outlook for U.S. exports is favorable. The Australian Government is urging local merchants to reduce mark-ups on imported consumer goods, an action which could help boost demand for such products. Additionally, familiarization of Australians with U.S. consumer goods and rising local wages should help support this growing segment of United States exports.

Shows during 1975 at the U.S. Trade Center in Sydney include: Industrial instruments; books, printing and graphic arts; metalworking and finishing equipment; medical and laboratory equipment; recreation and sporting equipment; and toys and games.



India

Uncertain Times Loom Ahead For Economy

At best, only limited growth is expected in the Indian economy in 1975. Funds previously earmarked for capital development are being diverted to purchases of food products. The principal culprit was a poor monsoon, which curtailed agricultural output. The high cost of petroleum and petrochemicals added to the difficulties. India has had an inflation rate of 30 percent, with food in the lead. There were severe shortages of electric power and raw material and bottlenecks in coal production and transportation of essential products.

Still, the picture is not all bleak, reports Monroe Aderhold of the Bureau of International Commerce. The trade gap was not as great as expected because exports rose 48 percent over 1973 and offset in substantial part the 54 percent rise in imports. India's foreign exchange reserves remain steady at $1.3 billion. The Aid India Consortium has pledged $1.4 billion in assistance in Indian FY 1974-75 (April 1-March 31). The United States remains a leading supplier of agricultural and chemical products and supplies heavy machinery, aircraft, and transportation equipment to India.

Of special significance in the coming year should be the creation of a joint Indo-U.S. Commission which will study ways to reduce or eliminate obstacles now in the way of bilateral trade. This will involve re-examination of tariff and non-tariff barriers, exchange of marketing information, reconciling business practices between two economies of dissimilar orientations, and studying new techniques to expand trade and investment.

Good sales opportunities for U.S. suppliers exist in high technology, energy, and oil exploration equipment; mining

machinery; equipment for railroads, transportation, and deep-sea fishing trawlers; and equipment for electrical power generation; textile manufacture, and tire-making; and pesticides. The reliability and productivity of U.S. machinery are well known to Indian managers in the private and public sectors who apply sound principles of cost effectiveness in making procurement decisions. Suppliers who can provide early deliveries, after sales servicing and credit facilities will find a good market in India. U.S. manufacturers should take the long view and not be disheartened by temporary setbacks caused by food shortages or other natural causes, as Indian priorities outlined in the five-year plan remain stable.

Projects financed by IDA/IBRD offer good prospects for export promotion and are announced from time to time in *Commerce Today*.

Investment climate

India is actively seeking foreign investment in certain well defined sectors. These are the industries which, being export-oriented, contribute to the plus side of the balance of payments and include textiles, sugar refining, oil drilling, finished leather goods, and especially electronics. The recently created Santa Cruz Electronics Export Promotion Zone near Bombay, for instance, is a Free Trade Zone whose output is re-exported entirely. Investment by foreign firms in this case can be 100 percent. Licenses are granted on the spot and red tape is eliminated.

The Government of India maintains an India Investment Center at 708 Third Ave., New York 10017, phone 212-867-3390, to assist potential American investors. The huge Indian market remains attractive to U.S. firms producing equipment or technology indispensable to the economic growth of the world's second most populous nation.

Principal imports from the United States now are feedgrains, fertilizers, organic chemicals, soybean oil, aircraft, railway equipment.

Hong Kong

U.S. Exports Surge; Inflation Dampening

The excellent 1973 performance of U.S. exports in the Hong Kong market has been surpassed in 1974. The $720 million 1973 figure represented an increase of 42.6 percent over 1972. By late summer, U.S. exports were 62 percent ahead of the same period for 1973. The U.S. trade deficit with Hong Kong shrank for the first time in a decade in 1973 and the gap promises to be even narrower in 1974. If Hong Kong's inflation and price performance continue to stabilize, U.S. exports will see another banner year in 1975, according to Harry Stringer of the Bureau of International Commerce.

Hong Kong has made the necessary cost adjustments better than most world economies, and the inflation experienced in 1973 is dampening. The major problem is that the markets for Hong Kong products are primarily overseas and beyond its immediate control. The Colony must wait for an improvement in the economies of North America and Europe, which current consensus appears to place in mid-1975.

The high level of capital goods imports through 1974 indicates that Hong Kong will be in a good position to produce goods in demand when opportunities for its exports improve. Owing to devaluation and more aggressive marketing, U.S. exports are enjoying an upsurge in the market and have accounted for 14 percent of Hong Kong's imports from all sources. Imports rose by 44 percent in value during January-June, to reach $3.5 billion; the volume increase, however, was only 1 percent. Imports slackened in July and in September were down by 1 percent from September 1973. Given the unit price increases in the intervening period, this argues for a sizable drop in volume.

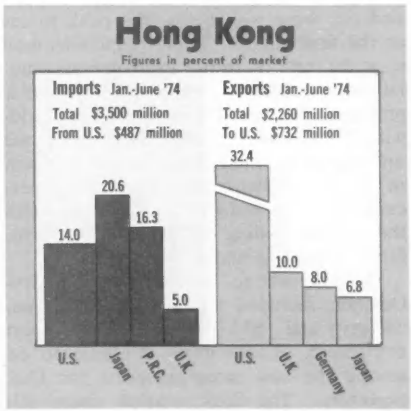
Although the first half of 1974 saw a higher level of Hong Kong business activity than had been expected, prospects for the remainder of the year portend to be less promising. Local manufacturers have struggled to keep export prices down in the face of rising raw material costs, and they have been assisted by minimal wage pressures from labor. A widening trade deficit nevertheless has resulted—$510 million in the first six months of 1974, compared with $323 million in the first half of 1973. Official and bank exchange reserves are estimated to exceed $2 billion.

In the first half of 1974, Japan and China remained Hong Kong's principal suppliers; however, imports from the United States jumped 65 percent and the U.S. share of the market climbed to 14 percent. The largest increases in U.S. sales were in raw cotton, plastic raw materials, and electronic components. Among agricultural products, the largest gains were raw cotton and oranges. Raw cotton imports for the first half totaled 216,000 bales valued at $54 million, an increase of 210 percent over the same period of 1973. Oranges increased by 16 percent to $15 million. Imports of unset diamonds increased by 6 percent, while tobacco rose by 41 percent. Electronic components and parts remain the largest portion of Hong Kong's imports from the United States. In January-June they totaled $82 million, an increase of 31 percent over the first half of 1973. Plastic raw materials grew 220 percent to $37 million.

Other U.S. products with good prospects include building and plumbing supplies; electromotive systems; and equipment for offices, materials handling, electronic industry, food processing and packaging, industrial security, and retail stores. U.S. consumer goods, particularly household appliances, fashion garments, and department store items, can find a merket in Hong Kong.

There are excellent opportunities for U.S. firms to market engineering and design services into the Colony's extensive public works program, particularly if these firms are willing to maintain Hong Kong offices. The Colony has several attractions for investors—its location, shipping and communications facilities, absence of tariffs, low taxation, policies which interfere as little as possible with business decisions, and unique "private treaty" arrangements for investors sought by the Colony.

U.S. trade promotion activities in Hong Kong for 1975 will include three trade missions—Computers for Industry, Hotel and Restaurant Equipment, Printing and Graphic Arts; a Pollution Control Equipment catalog show; a Process Controls technical seminar, and the Colony-wide American Fortnight Consumer Goods and Industrial Exhibition in October.



Indonesia

Big Reserves, Earnings Help Sales Prospects

U.S. exports to Indonesia will continue to expand in 1975 as U.S. exporters respond to greatly increased sales opportunities created by Indonesia's improved financial position. Increased U.S. Eximbank lending for major Indonesian projects, larger loans from international lending agencies, and continuing U.S. investment will create additional opportunities, reports M. Virginia Webbert of the Bureau of International Commerce.

While the value of U.S. exports in 1974 should well exceeed $500 million, the rate of increase slowed to about 20 percent compared to 44 percent in 1973. A major factor was the sharp curtailment of the U.S. P.L. 480 program. Other U.S. concessionary financing to Indonesia also is being reduced, with U.S. AID loans placed at the $40 million level in FY 1974/75 (Indonesian fiscal year ending March 31). The U.S. Eximbank, however, is increasing its activity in Indonesia. Loans authorized in 1974 include $35 million for a natural gas liquids plant; $17 million for cement factory expansion; and $5 million for aircraft.

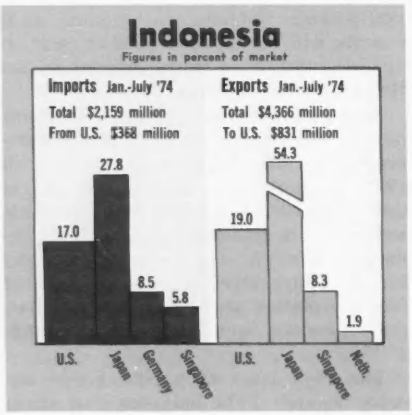
Export opportunities will expand rapidly in 1975 as procurement starts for large minerals, petrochemicals, fertilizer, cement and other private and government projects with investment values of well over $3 billion. Aid pledges from donor countries and international organizations of some $900 million in 1974/75 (including $300 million in combined IBRD/ADB lending) will assist with financing.

Oil price increases have greatly improved Indonesia's exports and budgetary earnings. Oil export earnings should more than triple in 1974/75 to $6.4 billion and raise total exports to $8.4 billion. Net foreign exchange reserves may well reach $2.5 billion by April 1975. While oil prices rose in 1974, prices for other exports, including timber, rubber, copper and tin, were well below the peak prices of the first quarter. These reductions may slow the rate of future exchange accumulation. An import level of $6.8 million is projected for 1974/75, reflecting worldwide inflation and massive imports of rice and fertilizer. Inflation, a major problem in 1973/74 when prices rose by 40 percent, is being reduced in 1974/75, with the targeted ceiling of 25 percent in sight. GNP growth is about 7-8 percent.

U.S. exports to Indonesia in January-October included $153 million in machinery and $32 million in transport equipment. These items continue to be among the best sales prospects for U.S. exporters. The U.S. market share fell slightly to 17 percent in the first seven months of 1974, from 19 percent in 1973.

The deficit in U.S. trade with Indonesia deepened in 1974 as our imports climbed by Fall to 253 percent above the comparable period of 1973, largely in crude oil and products.

The foreign investment climate continued to be uncertain as the Government delayed clarifying its new investment restrictions announced in January. While foreign interest has tapered off temporarily, approvals of previous applications continued. In the first nine months of 1974 new non-oil contracts valued at $1 billion were approved, bringing the total since 1967 to $3.4 billion.



Korea

U.S. Exports Expected To Reach $2 Billion

Many opportunities exist for sales to Korea, if U.S. exporters are more aggressive in selling efforts. Despite an economic slowdown in 1974 and early 1975, key heavy industries continue to expand. U.S. exports to Korea, which grew by approximately 29 percent in 1974, are projected to increase by 29.7 percent to reach a total value of about $2.1 billion in 1975, according to Carol A. Murray of the Bureau of International Commerce. Price increases caused by inflation and shortages will continue to raise the value of U.S. sales of foodstuffs and raw materials. Although growth of the Korean economy has slowed since the record expansion in 1973, U.S. exporters should be able to sell to expanding industries, such as cement, shipbuilding, and iron and steel, and prepare the way for sales later in the year when the economic situation improves.

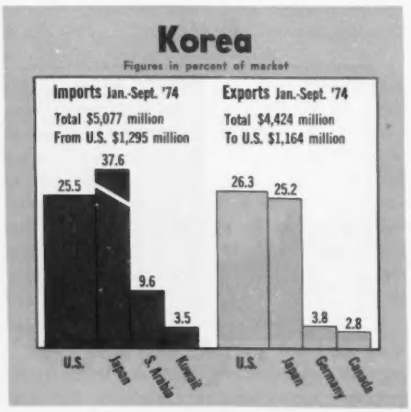
The Heavy and Chemical Industry Development Plan is still being implemented with emphasis on electronics, shipbuilding and machinery, and continues to offer sales and investment opportunities to U.S. firms. American products are preferred if good delivery, service and financing are available. U.S. prices, which have been competitive since the February 1973 currency realignment, should remain competitive unless Japan responds to the recent devaluation of the Korean won. The U.S. Trade Center in Seoul will increase exposure of American products.

Korea's economy is experiencing a slowdown as worldwide economic problems affect its ability to export. Real GNP was expected to grow by 10 percent to reach approximately $10.7 billion in 1974, a considerable drop from the record growth of 16.9 percent in 1973, but still high. Recovery of Korea's economy, which is largely dependent on an upturn in the U.S. and Japanese economies, is not expected until at least mid-1975, with resulting real GNP growth projected to be as low as 6 percent in 1975. To combat the slowdown the Korean Government recently took a number of anti-recession measures, including a 17 percent devaluation of the won vis-a-vis the U.S. dollar. The devaluation is not expected to have much effect on the ability of U.S. firms to export to Korea unless Japan devalues as well.

In 1974 Korea's imports were expected to reach $6.8 billion, compared with $4.2 billion in 1973. Japan remains Korea's leading supplier, although its market share fell below the 40 percent level of 1973, as imports from oil supplier nations accounted for a larger share. The U.S. share also fell to about 26 percent in 1974.

Principal U.S. exports to Korea are feedgrains, electronic components, raw cotton, metal scrap, and aircraft. In 1975 Korean imports are likely to reach $7.9 billion, about 26 percent from the U.S.

Products offering best potential for increased sales to Korea are metalworking and finishing machinery, mechanical handling equipment, energy systems, heating and cooling equipment, instrumentation, construction and mining machinery, computers and business equipment, communications and radio navigation equipment, health care equipment, graphic arts equipment, and industrial raw materials.



Singapore

U.S. Exports In '74 Seen Topping $1 Billion

U.S. exports to Singapore for 1974 are expected to exceed $1 billion—an increase of 46 percent over 1973. The 1975 outlook is for a further increase of 40 percent, according to Joseph E. Payne, Jr. of the Bureau of International Commerce.

Major factors accounting for the projected 40 percent growth rate in U.S. exports to Singapore are Singapore's continued rapid economic growth and strong balance of payments position, the price competitiveness enjoyed by U.S. suppliers in the Singapore market and the country's demand for capital goods. The U.S. Regional Trade Center in Singapore, since its opening in mid-1973, has generated $50 million in U.S. sales.

Real GNP growth for 1974 should still be close to 7 percent, with the outlook for 1975 even better, if the world economy improves. Singapore's balance of payments showed a $134 million surplus for 1973, and total foreign exchange reserves reached $2.292 billion.

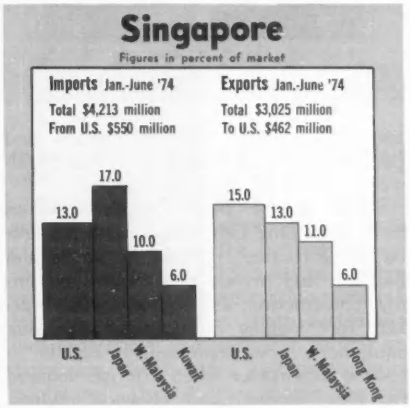
The Singapore market is very sensitive to price differences because of the country's traditional role as a trading nation and entrepot center for Southeast Asia. In addition to the currency realignments that have resulted in U.S. exports becoming more competitive, the Singapore dollar has also appreciated in terms of the U.S. dollar. By December 1974 the exchange rate was approximately US$1=S$2.30.

The United States accounted for about 15 percent of Singapore's total import market of roughly $5.025 billion in 1973. For the first six months of 1974 the U.S. share of the market dropped to 13 percent. If this share holds for the entire year, it will be primarily due to the rapid price rises for oil and other basic commodities supplied by other countries.

Singapore's Economic Development Board continues to emphasize capital intensive industrialization. As a result, the market for U.S. capital goods is expanding rapidly. Best prospects for U.S. goods exist in building and construction supplies and equipment; metalworking machinery; pollution control, EDP, and communications equipment; energy systems; process control and laboratory instrumentation, and office equipment.

The U.S. Regional Trade Center in Singapore promotes the sale of U.S. goods and services through a variety of techniques including exhibitions of products. Displays of shipbuilding and pollution control equipment are planned. Between regularly scheduled promotions U.S. firms are invited to utilize the Trade Center's facilities, free of charge, to exhibit products and services and hold sales meetings.

Many U.S. companies have located in Singapore to take advantage of the excellent business climate and the transportation and communications facilities it offers in the Southeast Asia region. At least 24 U.S. banks with branches or representatives are operating in Singapore at present. The Government's fiscal and monetary policies have been encouraging the establishment of banks and Singapore's development as a regional financial center.



Taiwan

Economic Growth Slow, Trade Continues Rise

Given relative economic stability worldwide, Taiwan's trade should continue to grow this year, albeit at a slower rate in real terms. Sales of U.S. equipment and services to the Republic of China are expected to increase in 1975, adds Margaret Kelleher of the Bureau of International Commerce.

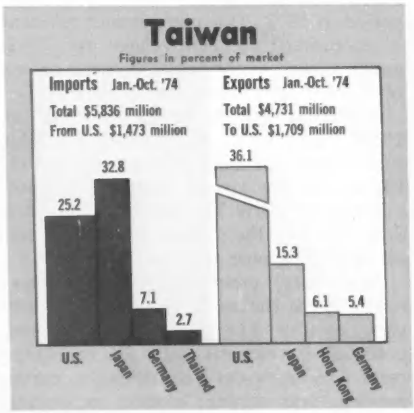
Despite a decline in export orders and industrial production, Taiwan achieved a creditable economic performance in 1974. Although considerably below 1973, real economic growth in 1974 was expected to be about 5.5 percent. Measures are being taken by the government to stimulate production, improve trade performance and encourage increased foreign investment in 1975.

The Republic of China Government has maintained a high level of international reserves and a relatively low level of external debt. Inflation has been brought under control, and productivity in the manufacturing sector has risen slightly. Taiwan must continue to import a wide range of equipment and materials to supply export-oriented manufacturing industries. Imports from the United States should be well over $1 billion in 1975.

In addition to a solid economic base, the following factors contribute to a comparatively favorable trade outlook. Taiwan's trade performance improved in the last quarter of 1974. To stimulate production and maintain the improved trade performance, the government recently announced a wide-ranging program of financial, fiscal, and other economic measures. Reaffirmation of the "buy American" policy and growing concern about the increasing trade deficit with Japan contribute to the larger U.S. share of the Taiwan market. In the first ten months of 1974, the U.S. share of total Taiwan imports exceeded 25 percent, compared with 24 percent in the corresponding period in 1973. Also, the decision to proceed with numerous major industrial and infrastructure projects presents continued opportunities for sales of goods and services.

To compete successfully for increased sales to Taiwan in 1975, U.S. suppliers must be price conscious, offer competitive financing, comply with specifications, meet requested delivery dates, and provide after-sales service. Best sales potential is in such industries as petrochemicals, metalworking machinery, automobile parts, precision instruments, machine tools, and electronic and plastic production equipment. The major projects offer opportunities for sales of heavy construction and transportation equipment. There are also opportunities in textile machinery, food processing and packaging equipment, electric and electronic apparatus, industrial chemicals, and power generation equipment.

The U.S. Department of Commerce opened a Trade Center in Taipei in 1974. Designed to provide a wide range of services to the U.S. businessman interested in marketing his product in Taiwan, the Trade Center offers an ongoing program of trade promotion events which includes exhibitions, technical seminars, catalog shows, trade missions, and facilities for between-show promotions by individual firms. Upcoming events in 1975 will feature energy systems in June, computers in August, packaging machinery in September, hotel and restaurant equipment in October, and automotive service equipment in December.



Philippines

Aim To Steady Growth And Restrain Inflation

Continued growth through 1975 of around seven percent is the current prospect for the Philippine economy, reports John Walsh of the Bureau of International Commerce. While further increase in the value of 1975 imports over those of 1974 is anticipated (perhaps more in cost than in volume), constraints in the percentage growth appear inevitable in view of declining earnings due to lower export prices, imported inflation, and overall tighter domestic credit. Imports from the United States should increase around 30 percent, compared with 52 percent in 1974. The 1975 figure will match but probably not surpass the growth rate of leading competitor countries such as Japan and West Germany.

Inflation, however, has become perhaps the most serious short-term economic problem of the Philippines. From mid-1973 to mid-1974, inflation had been rising at an annual rate of around 40 percent. By the end of 1974, the rate had successfully been cut back to around 20-25 percent.

Exchange holdings at record

The Government is continuing an impressive performance in fiscal management. Despite the current deficit position in trade, with imports continuing to increase at a faster rate than exports, the country's foreign exchange holdings remain at a record high. The commodity boom has now crested and declined, with prices for all major exports except sugar soft and expected to remain so for the foreseeable future.

Philippine imports, by value, more than doubled in the first half of 1974 as compared with the same 1973 period, climbing to $1,440 million. Imports from the United States performed strongly this period, rising to $329 million as compared with $177 million for the same period in 1973. This performance reflected a recovered competitiveness for U.S. goods as well as the growing requirements of a developing Philippine economy.

Philippine exports in the first half of 1974 climbed to $1,312 million, a 52-plus percent increase over that period in 1973. Exports to the United States were $609 million, up nearly 73 percent. The United States remains the primary market for traditional Philippine exports.

Machinery, other than electric, continues to be the major U.S. export category to the Philippine market. Good potential incremental sales lie in equipment for heavy-duty construction, earthmoving, and mining; electric generating

and transmission; food processing and packaging; materials handling; and metalworking and finishing machinery.

Potential for these categories arises from expanding Government expenditures on infrastructure, particularly roads and harbors; and private investments in mining, construction, and industry. The market for logging and wood-processing equipment, now depressed, is certain to resume importance when external demand for logs, lumber, and plywood revives. The Government's self-reliance defense program also offers sales possibilities for a growing identified range of machinery and equipment.

U.S. trade promotion activities during 1975 include an exhibition of process controls and instrumentation, a trade mission promoting hotel and restaurant equipment, a catalog show featuring automotive services, and a technical sales seminar on minerals and ore processing.

Thailand

Government Taking Steps To Spur Business

The value of U.S. exports to Thailand may increase about 25 percent in 1975, according to Bruce Sever of the Bureau of International Commerce. This would reflect a lower rate of increase in value than in 1973 when it was 49 percent and in 1974 when it was 42 percent.

Also, inventories of imported raw materials for Thai industries are growing and may lead to a cutback in new orders. Developments in Thai labor relations and alien business regulations during the past two years have led some businessmen to defer investment plans and orders for capital equipment, usually imported.

Steps to counter the falloff of business and decreasing rate of economic growth have been taken recently by the Thai Government. Measures include the lowering of the reserve ratio requirement of banks; increasing government spending, particularly on construction; and rediscounting credits to fertilizer purchasers and to textile companies for imported raw materials.

Inflation was 25 percent in consumer prices during the 12 months ended July 31. However, since May the rate of rise in consumer prices has decreased significantly. The Government's economic policy therefore has shifted to greater emphasis on maintenance of production and jobs.

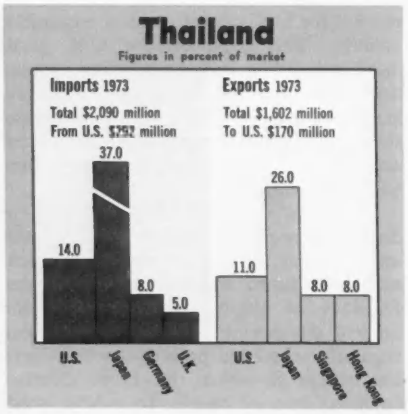
Thai imports from the United States may increase in value from an estimated $350 million in 1974 to $420 million in 1975. The estimated U.S. share of Thai imports in 1974 may approximate 11 percent—a decline from 14 percent during the previous year. The change results largely from the increased value of Thai imports of oil from Middle East sources.

The United States is enjoying increasing price competitiveness for its major exports to Thailand—industrial equipment and raw materials—through a lower rate of inflation than some supplier countries and the effect of currency revaluations.

Most promising or fast growing U.S. exports to Thailand in value include sulfated woodpulp; fertilizers; sodium and potassium compounds; surface active agents such as detergents; machinery and parts for paper making, printing, construction, and mining. Good sales prospects also exist for farm implements, food processing and packaging equipment, pharmaceuticals, and photographic equipment and supplies.

The climate for sales of U.S. goods in Thailand is favorable, because import regulations are non-discriminatory. Further, Thailand's foreign exchange reserves, with which to make foreign purchases, are equivalent to more than five months' imports. During the recent period of world economic uncertainty, Thai foreign exchange earnings generally kept pace with the increasing value of imports.

Three U.S. trade events to be held during 1975 will promote directly American-made automotive maintenance and service equipment, consumer goods, and health care equipment and apparatus.



New Zealand

Sales Potential Good, Though Tempo Slows

The pace of the New Zealand economy now, and at least in the near future, is one of deceleration. This new tempo follows rapid expansion in 1973 and early 1974. U.S. exports to New Zealand, nonetheless, are expected by Nancy H. Keely of the Bureau of International Commerce to increase during 1975, although at a declining rate of growth.

The slowing of the economy has been largely attributed to general economic uncertainty abroad, deterioration in the balance of payments, declining foreign exchange reserves, slower growth of the population and labor force, and a decline in confidence. The foregoing notwithstanding, U.S. exports should continue expanding. The New Zealand Government's "growth strategy," aimed at expanding the country's industrial base, will require importing many industrial goods produced by the United States. Wage and cost-of-living increases, which may cause weekly earnings to rise about 19 percent during fiscal 1975, should also help support imports of consumer goods.

Inflation remains relatively severe, with a rate of about 11 percent forecast for 1975. However, the 10 percent increase in the consumer price index for fiscal 1974 was well below that of many major Western European nations. GNP is estimated at US$11.4 billion for 1973, an increase of about 5.5 percent in constant terms. Real growth ranging from 4 to 4.5 percent has been forecast for 1975.

Business confidence has fallen during recent months. Due partly to economic conditions abroad, fiscal 1974 saw a decline of 20 percent in export receipts for wool and 13 percent in those for meat, losses only partially offset by increased earnings of other products. Import payments increased 48 percent for the same period. Foreign reserves in October totaled NZ$572 million, compared with NZ$926 million a year earlier.

The 9 percent devaluation of the New Zealand dollar in September, though causing U.S. products to be somewhat more expensive in New Zealand, is not expected to significantly affect U.S. exports to that country.

Competitiveness of many U.S. exports to New Zealand will increase owing to the new July Customs Tariff, under which the first of four steps was taken toward phasing out British Preferences.

The United States, now New Zealand's fourth leading supplier, had a substantial share of New Zealand's total imports in fiscal '74. Principal U.S. exports to New Zealand are aircraft and parts, internal combustion engines, textiles, chemicals, tobacco, motor vehicles and parts.

Provided a satisfactory rate of economic growth can be maintained and industrial expansion continues, the outlook is especially favorable for U.S. sales of machinery and equipment, construction materials, labor-saving machinery (both agricultural and industrial), and coal and natural gas extraction, distribution, and consumption equipment. The oil crisis should also provide opportunities for U.S. exporters by enabling them to participate in developing alternate methods for generating electricity in New Zealand. U.S. exporters may use facilities of the U.S. Trade Center in Sydney, which services the New Zealand market.

Pakistan

Economic View Fair Despite Problems

General economic uncertainty clouds the picture in Pakistan—which is experiencing an annual rate of inflation in excess of 25 percent, a deeline in the price of its principal exports, and a delay in the anticipated irrigation benefits of the huge Tarbela Dam.

Pakistan shares the problem of adequate food supply with its neighbors, though to a lesser degree. New economic assistance from Iran has helped to offset the sharp increase in the cost of petroleum imports. A planned new pipeline will link a major natural gas field with the Karachi industrial complex, and there are signs that domestic petroleum sources will soon be located and exploited. On balance, economic prospects remain fair, but shifts in emphasis are taking place, according to Andre Williams of the Bureau of International Commerce.

In an attempt to maintain a flexible balance to stimulate the economy, the government has reduced or eliminated export taxes on cotton, leather, and textiles and to encourage private investment has given assurances that no further nationalizations are intended for the time being.

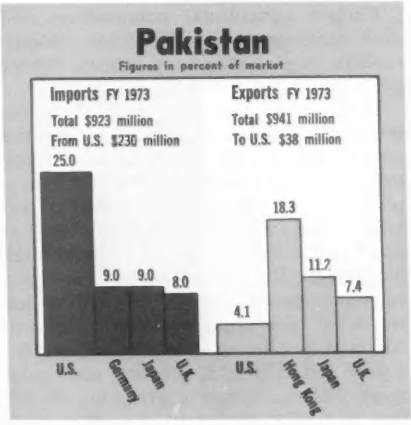
The GNP rose 6 percent to $4 billion, a slight reduction in growth from the previous year. It is expected to continue its increase—in constant prices—at the same level of about 6 to 6.5 percent annually.

The United States remains Pakistan's No. 1 supplier with 25 percent of the market. Over 50 percent of Pakistan's agricultural imports have originated in the United States. The American position has slipped to third place after the United Kingdom and the Federal Republic of Germany, in sales of capital goods; the U.S. share is only 13 percent. The decline is attributed to relative indifference on the part of U.S. exporters, and the determined efforts by competitor nations, including the USSR and East European trading organizations, to secure large orders and to expand their operations.

While U.S. wheat and soybean oil are the most sought after products, opportunities in capital goods sales are offered by major projects under the five-year plan. An expansion of the country's telecommunications system, financed by a $36 million IDA loan, calls for purchase of microwave equipment and other appropriate hardware. Port expansion at Karachi and Port Qasim is currently under way, and fertilizer production will be actively pushed. American products are preferred to other sources, even if the initial price is somewhat higher, because of their reputation for better long-term performance.

In addition to the categories mentioned, mining machinery and railroad equipment have been the theme of recent U.S. trade missions and good prospects are seen for oil field machinery, machinery for the pulp and paper industry, computer peripherals, and chemical plant machinery.

Principal imports from the United States are wheat, rice, soybean oil, iron, and steel manufactures, fertilizer, aircraft and transport equipment, and pesticides.



Faster Growth Is Expected For U.S. Sales To Africa

Imports Needed For Development Projects

U.S. exports to Africa rose at an even faster rate in 1974 than in the previous year, climbing by nearly 50 percent from $1.6 billion in 1973 to an expected $2.5 billion. Rising demand for U.S. products and equipment is anticipated in 1975, boosting our export figure for this year by another 30 to 40 percent to around $3.3 billion. Part of this growth in dollar volume, however, is attributable simply to the worldwide phenomenon of rampant price inflation, adds Ralph S. Edwards of the Bureau of International Commerce.

(Note: Mediterranean-area African nations are treated on Pages 28-35.)

The favorable outlook for expanded U.S. sales in Africa is due to three major factors: 1) greatly increased earnings by many African countries that are rich in energy and mineral resources; 2) important progress on major industrial and infrastructure projects in Africa; and 3) the expected elimination early this year of reverse tariff preferences which have been granted by many African countries to the former European colonial powers—this should be an important aid to the competitiveness of U.S. products. Another factor is continued demand for U.S. agricultural products—especially wheat—to alleviate food shortages in the Sahel area, though the drought has eased lately.

South Africa, Nigeria, and Zaire will be the major markets for U.S. sales, with high world commodity prices playing an important role in expanding their foreign exchange earnings and import potential. The growth of Nigeria's oil revenues has been particularly dramatic, while the earnings of many other countries have peaked due to a leveling-off in some commodity prices (e.g., copper in Zaire and Zambia), combined with the offsetting adverse impact of high oil import bills.

Certain agricultural commodities will also continue to be significant income earners, e.g., coffee and cocoa, whose prices are expected to remain firm.

While their neighbors may face economic difficulties, Africa's two largest country markets are experiencing very impressive real growth rates. South Africa is presently registering a 7 percent real growth rate, while Nigeria is booming at an amazing 10 percent. Spurred by high gold prices, the expanding South African economy purchased about $1.1 billion worth of U.S. imports in 1974 and will continue to offer good sales prospects for a wide variety of U.S. products and equipment. Nigeria earned a whopping $9 billion in foreign exchange from exports of crude oil in 1974. U.S. sales to Nigeria hit $300 million last year and are expected to climb by 50 percent in 1975.

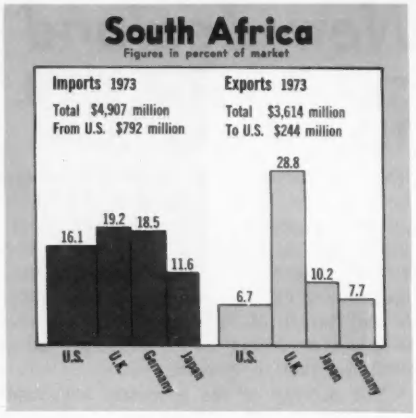
U.S. firms will find capital goods in particularly heavy demand as African countries push ahead on major development projects. Construction and mining machinery is the fastest growing item, reaching an expected $170 million in value for 1974. Demand for mechanical handling equipment, iron and steel tubes and pipes, centrifuges, internal combustion engines, electric power machinery, and telecommunications equipment continues strong.

As Africans expand their transportation networks, they are looking increasingly to American manufacturers to supply their needs. U.S. sales of aircraft remained high in 1974 despite a drop compared to 1973, and shipments of tractors, cars and trucks are climbing. New railroads in Gabon, South Africa, and Nigeria and refurbishing of the old line in Cameroon should continue to generate substantial orders for locomotives and construction equipment.

Good prospects continue for U.S. sales in a number of other country markets not covered by individual articles in the following pages. The Sudan, for example, is importing a wide range of goods needed for industrial and agricultural development, including a massive irrigation project with financial aid from Arab states.

U.S. exports to Ghana rose to nearly $70 million in 1974, as the country continues its remarkable recovery from balance of payments difficulties. Sales are strong in raw materials, timber and mineral industry equipment, and manufactures.

The Department of Commerce will assist U.S. exporters to Africa by sponsoring several trade promotion events in 1975. A technical sales seminar on construction equipment for transportation will be held this May in the Ivory Coast, Nigeria, and Zambia. Trade missions are planned on timber industries equipment for Ivory Coast, Cameroon and Gabon in February; railroad equipment for Nigeria, Zambia, and Zaire in April; aviation electronics and ground support equipment for Botswana, Ethiopia, and Nigeria in August; motor vehicle maintenance equipment for the Ivory Coast, Kenya, Nigeria, and Zaire in September; and food processing equipment for Kenya, Morocco, Swaziland, and Zambia in October. Catalog shows on agricultural equipment and supplies, health care industries, business equipment, and communications equipment are also scheduled.



South Africa

Imports Surge While Economy Accelerates

The South African economy accelerated its growth in 1974 to achieve an estimated real GDP expansion of 7 percent. The inflation figure approached 12 percent for consumer prices in 1974, adds Sally Kyle Miller of the Bureau of International Commerce. Industrial and agricultural output increased sizably (8.3 percent and 26 percent by volume, respectively), and although gold output declined (to 477,357 kilograms in first nine months of 1974 from 646,794 in 1973), the continuing high price of bullion may have earned South Africa nearly $3.4 billion. To support its growth, South Africa imported a record amount of goods and services during the first nine months of 1974.

U.S. exports to South Africa in 1974 reflected the import surge. Ten-month figures for U.S. sales were up substantially over 1973, and the full-year total probably exceeded $1 billion for the first time. Leading categories include organic chemicals, construction and mining machinery, motor vehicles (cars and trucks) and their parts and accessories, each involving approximately $40 million of exports in the first nine months of 1974. Significant gains have been made by U.S. producers of sulphate wood pulp, animal oils and fats, organic chemicals, poly and copolymer products, fabrics, uncoated iron and steel plates and sheets, jet engines, metalworking machinery, telecommunications equipment, and photographic film and plates.

Cycle may have peaked

The United States continues to enjoy a favorable balance of trade with the Republic; its magnitude should approach half a billion dollars for 1974. Most observers believe that South Africa's current upward cycle has peaked. The first three

quarters of 1975 should be a period of more temperate growth, with an upward trend projected to begin in the fourth quarter. A real GDP growth of 3.4 percent is forecast. Manufacturing output is expected to continue its more rapid expansion, while mining volume declines and agricultural output slows from 1974's spectacular performance.

Signs of peaking evident in the economy range from congestion at all four major ports to scarcity of skilled labor and capacity machinery utilization.

The skilled labor shortage has compelled South Africa to move slowly towards a more rationalized use of its entire labor force. Blacks have obtained a limited right to strike and during the past two years, strikes have been used in a number of instances to gain wage increases. More progressive employers in South Africa have begun to deal with black and multi-racial unions as a more effective means of labor relations.

U.S. firms should note that black unions are not illegal under South African law. The unions are denied registration and are excluded from the Ministry of Labour's Industrial Council proceedings. The U.S. Government encourages U.S. firms to implement enlightened employment practices in their South African operations, to pay equal pay for equal work, and to provide compensatory benefits to their workers where South African law prohibits adoption of full U.S. standards.

High demand for investment funds together with a slowed expansion of the money supply has forced interest rates up to nearly prohibitive levels. Small consumer purchases were adversely affected by the Oct. 28 increase in hire purchase and small loan notes, to 21 percent and 17.5 percent respectively. Auto sales have slumped from a combination of factors: increased prices and interest rates, consumer inclination to spend instead on upcoming TV sets, and added manufacturing costs necessary to reach the required higher level of South African content by weight.

In the last two months, however, liquidity has been increased through accelerated government expenditures and improvements in the country's gold and foreign exchange reserves. The prime rate is moving downward from its nearly 12 percent rate, and the rate for short-term certificates of deposits has fallen sharply.

Mineral and industrial expansion projects that present sales opportunities for U.S. firms include the Sishen-Saldanha ore scheme, television transmission, Richards Bay and St. Croix harbor and industrial facilities, three major ISCOR projects, port containerization, a second SASOL oil from coal project, titanium extraction north of Durban, uranium mining in the Karoo, various chemical and fertilizer plants, and the ESCOM nuclear generating plants.

Nigeria

Stable Politics Bolster 10 Percent Real Growth

Nigerian Head of State General Yakubu Gowon's recent proclamation that the Federal Military Government will continue in power beyond the 1976 target date for a return to civilian rule has apparently been welcomed by the business community in Nigeria. This delay is calculated to provide the political stability requisite for continued 10 percent real growth of the Nigerian economy. As the world's sixth largest exporter of crude oil, Nigeria has profited immensely from the rise in oil prices. Nigeria produces oil at the rate of 2.4 million barrels a day, and the country earned about $9 billion in foreign exchange from oil during 1974.

Rodney P. Rydlun of the Bureau of International Commerce notes that the growth of Nigerian imports has not kept pace with the quantum leap in export earnings. Still, imports have grown 48 percent in the last five years. Import composition, however, has remained relatively constant for several years with capital goods accounting for about 40 percent, consumer goods 35 percent, and raw materials 25 percent. With the increasing availability of foreign exchange the government has come under considerable pressure to diversify and expand imports. In particular, Nigeria must import more food to feed its 79 million people.

U.S. now top customer

The United States has become Nigeria's most important customer, taking about 27 percent of its exports of crude oil, making Nigeria the second largest supplier of crude oil to the United States. Our trade deficit with Nigeria soared to nearly $3 billion in 1974. While it is unrealistic to assume that this huge deficit can be erased soon, there are abundant sales and investment opportunities for U.S. business in Nigeria. But, U.S. exports to Nigeria have stagnated at about 10 percent of the market.

U.S. products with highest market potential are: equipment for energy systems, oil field and process plant equipment, communications equipment and systems, building and construction supplies and equipment, and agricultural machinery, services and equipment. U.S. firms are invited to participate in several U.S. trade promotions scheduled for Nigeria in the next 12 months, capitalizing on these opportunities: Two seminars, one on construction equipment for the transport sector and another on gas technology; three trade missions featuring railway equipment, avionics and ground support equipment, and communication equipment and systems; and a catalog show on business equipment. In addition, a solo exhibition of U.S. products is being considered for early 1976 in Lagos.

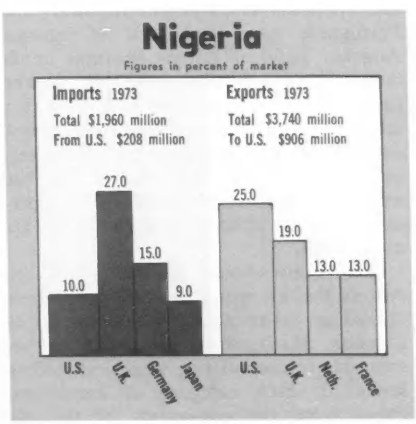
In his Oct. 1 National Day speech the Head of State outlined a proposed $50 billion five-year development plan designed to bring about a radical transformation of the national economy. Of the $50 billion total, more than $32 billion will be government expenditures—including nearly $10 billion for industrial expansion. During the plan period the government anticipates construction of two liquefied natural gas (LNG) plants, together costing more than $3.4 billion. The government also will build two new oil refineries and three new cement plants, and expand three existing cement plants, at a cost that will total in excess of $550 million.

Two pressing needs

Education and housing are two pressing needs. Some $3.2 billion has been budgeted for education over the course of the plan. Universal primary education will provide compulsory schooling beginning in 1976 for the 15 million Nigerians between six and eleven years old. Another $3 billion has been allocated to help relieve Nigeria's severe housing problems. In November and December, Nigeria will host the Second Black and African Festival of Arts and Cuture in Lagos, Ibadan and Kaduna. To accommodate the large influx of visitors expected for this festival, the country must embark immediately upon an ambitious construction program for hotels as well as other tourism facilities.

Along with relaxation of foreign exchange restrictions, the government now welcomes expanded expatriate merchant banking in Nigeria to facilitate procurement of foreign products and attract foreign investments to other than the oil sector.

By the end of 1974, there were six American banks represented among the 19 commercial banks in Nigeria, and more American banks are welcome.



Angola

Prospects Good As Independence Nears

Following the advent of the new Portuguese Government this spring, the southern African colony of Angola is scheduled to receive its independence in mid-1976. Few countries have entered upon independence with brighter long-term economic prospects, reports Sally Kyle Miller of the Bureau of International Commerce. The 1972 GDP reached $2,661 million, for a per capita figure of $455.

Its nearly half million square miles are not pressured by the country's 5.7 million population. Eighty percent are engaged in either commercial or subsistence agriculture. Coffee led Angola's exports until 1972, when petroleum displaced it; ranking third and fourth are diamonds and iron ore. The province's 1973 exports totaled $764 million and imports amounted to $432 million. The current account figures enabled Angola to maintain a payments surplus for 1972 and 1973.

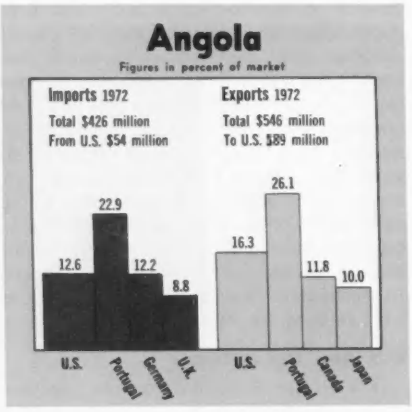
In 1972, the last year for which statistics are available, the United States purchased 16.3 percent of Angola's exports (principally coffee) and ranked second to Portugal. On the import side, the United States also ranked second and supplied 12.6 percent of Angola's needs.

U.S. shipments to Angola in 1973 were composed largely of iron and steel seamless pipe, tractors, and construction and mining machinery. Last year witnessed a dramatic doubling of U.S. imports from Angola, the bulk of which are crude petroleum, as well as a sizable expansion of U.S. exports. The latter increased 76 percent to $50.3 million through October. Construction and mining machinery led the field, closely followed by tractors, iron and steel structures and pipes, pumps, valves and compressors, and motor vehicles.

The trade expansion has occurred despite political uncertainties following the Portuguese coup and lack of internal Angolan political unity. Business confidence has to some extent been shaken further by a number of strikes in key sectors, declines in worker productivity, and the departing of numbers of workers and entrepreneurs. The inflation rate has worsened considerably from the 10 percent of 1972, although precise figures are unavailable.

U.S. firms should be aware that in Angola the law requires that all employees classed as urban workers be members of a union. Management and labor are responsible for negotiating wage and staffing levels for each category of employees. Freed from the constraints of the old regime, Angola's unions are actively seeking to increase their membership and pressing employers for increases in wages and reviews of job classifications.

Notwithstanding Angola's current, and hopefully short-term, difficulties, the country offers decided potential in a variety of areas. The extractive sector—both in refining as well as producing of raw materials—heads the list. Large acreage is suitable for livestock ranching; significant potential exists for exploiting Angola's offshore fisheries. Rail and road expansion also should offer sales opportunities to U.S. business, along with port modernization. Substantially increased revenues from oil should enable the provisional and successor governments to proceed with the $4.612 billion development plan for 1974-79. In addition to educational, health and welfare proposals, the plan calls for investments in transportation, manufacturing (principally import substitution), mining and metallurgy.



Ivory Coast

Economic Performance Keyed To Export Prices

Prospects for economic growth in the Ivory Coast in 1975 are mixed and overall economic performance will depend to a large extent on world prices for Ivorian exports. The value of U.S. exports to the Ivory Coast, however, should increase in 1975. Miles Henderson of the Bureau of International Commerce believes that the most promising areas for U.S. exports are energy systems, avionics and health care industries.

The Ivorian economy has been under severe inflationary pressures partially resulting from the world inflation and the quadrupling of oil prices. An open economy such as Ivory Coast's where imports and exports equal 50 percent of GDP cannot be isolated from the international economic scene. Although Ivorian exports of refined petroleum products have offset to some extent the impact of increased oil prices, it is expected that the country will experience a net foreign exchange loss of approximately $60 million. Government efforts to control inflation have not proven successful.

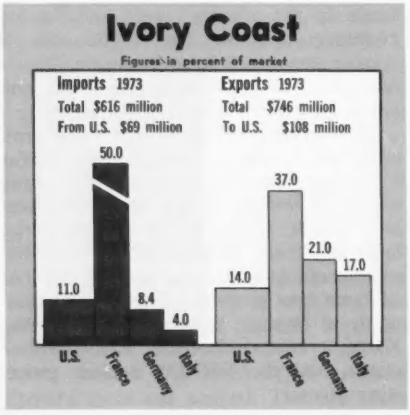
An encouraging sign is the expectation that world prices for coffee and cocoa, which account for 40 percent of Ivory Coast export earnings, will remain firm. Another positive factor is continued expansion of palm oil exports. However, export earnings from timber, Ivory Coast's third largest exchange earner, are expected to decline, a victim of the construction recession in Europe. Overall, export earnings will barely keep pace with inflation.

The value of U.S. exports to the Ivory Coast should approach $55 million in 1975 and continue to account for 11 percent of total Ivorian imports. U.S. exports of transportation equipment and manufactured goods, especially, as noted, in energy systems, avionics and health care, should expand. The anticipated elimination of reverse preferences accorded to EEC suppliers will eliminate a tariff obstacle to increased U.S. exports to the Ivory Coast.

While France remains Ivory Coast's major trading partner with 40 percent of the import market in 1973, the Ivorian Government has made significant efforts to loosen its French commercial ties and explore new sources.

The climate for expanded U.S. investment, especially in export oriented industries, is good. The Ivory Coast has a liberal investment code and has not nationalized foreign business. There is a concerted effort on the part of the government, however, to encourage joint venture investment projects with Ivorians.

During 1975, the Department of Commerce invites U.S. industry to join in U.S. export promotional events in Ivory Coast targeting the timber industry, motor vehicle maintenance, computer related and business equipment and communications systems.



Kenya

U.S. Sales Up Despite Deficit, Exchange Drain

Largely because of Kenya's diversified economic activity, the country's economy as a whole is expected to register real growth of 5 percent in 1974. Kenya's rapid increase in imports, begun in 1973, was accelerated in 1974. Total imports were expected by Mary L. Manley of the Bureau of International Commerce to top $900 million in 1974, up 50 percent from 1973. Crude oil comprised an estimated $460 million of the import bill.

As a result of the fourfold increase in the price of crude oil imports, substantial increases in prices of other imports and a slowdown in price increases of Kenya's major exports (coffee, sisal, pyrethrum), the balance of payments deficit for 1974 was at an all-time high of $160 million. Foreign exchange earnings from tourism are stagnant but no longer declining. Net capital receipts will cover a large portion of the trade deficit. In FY 1975, development spending will increase by over 33 percent to almost $250 million.

Commodity prices, inflation and weather conditions will affect the economy more in 1975 than Kenyan Government fiscal and monetary policies.

Large payments deficit

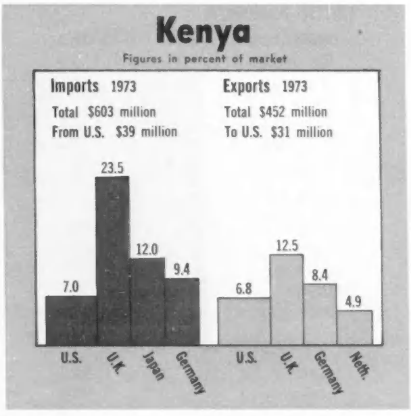
Despite remedial measures, Kenya will experience a large payments deficit in both 1974 and 1975. Additional capital inflow will be required even with a heavy drawdown of reserves. The expected 3.4 percent of devaluation of the Kenyan shilling (US$1=SKh 7.14) should contribute to a more efficient use of domestic capital, and is aimed at long-term gains. Foreign exchange quotas for certain imports and restrictions on payments and transfers for current international transfers are not likely to be relaxed until the balance of payments situation shows improvement.

If Kenya can avoid excessive restrictions on imports and acquire needed raw materials, manufacturing should have another excellent year. In 1973 the government and manufacturing sectors surpassed agriculture's growth rate for the first time and were probably the leading contributors to GDP again in 1974. GDP topped $2 billion in 1973.

U.S. data shows that U.S. exports to Kenya registered an estimated 23 percent gain in 1974; sales are likely to remain fairly stable in 1975. Leading categories were wheat, aircraft, steam generating boilers, tracked agricultural machinery, construction and mining machinery, and kraft paper. U.S. imports in 1974 were comprised of coffee, tea, spices and fish. The rapid growth expected in the industrial sector should create excellent opportunities for U.S. firms. Sales opportunities also exist for plastic resins, synthetic fibers, medicines and medical equipment, materials handling equipment, electric power generating and distributing equipment, textile machinery, hotel and restaurant equipment and food processing and packaging equipment.

Kenya is one of the most attractive environments in Africa for U.S. investment. Participation in possible joint ventures is sought for several projects.

Commerce promotional events sceduled for this year include trade missions for food processing and packaging (September) and maintenance equipment for motor vehicles (October) and a health care industries catalog show (April).



Zaire

Drop In Copper Price Slows Current Growth

Zaire's demand for imported capital goods is likely to remain stable during 1975, as its export revenues have declined from their record level of earlier last year. New government investment plans will have to be revised to take account of the slower inflow of foreign exchange. Nonetheless, work on several large public and private projects has already begun and offers continuing opportunities for U.S. export sales, according to Frank A. Ocwieja of the Bureau of International Commerce.

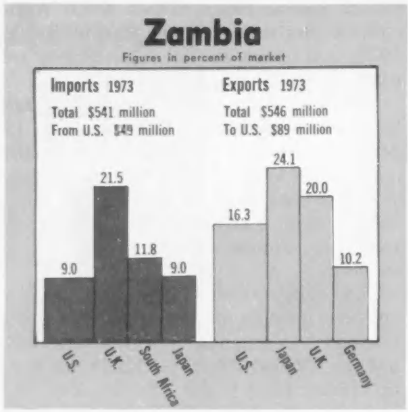
World market prices for Zaire's major export, copper, have returned to a more normal range from their record high last April. This has caused an international liquidity problem for the economy while it awaits the increased production resulting from mining expansion projects currently planned or under way. Offsetting this turn of events, business conditions in Zaire have begun to rebound from the jolt of Zairianization in late 1973. Agricultural production should expand during 1975, and orders for consumer goods are recovering their former levels.

The U.S. share of this near billion dollar market has grown to more than 15 percent in the last two years, due to aircraft deliveries. In addition, sales of construction and mining machinery, communications, electric power, and other transport equipment have been rising steadily.

U.S. suppliers should be alert to new and replacement orders from the major mining companies (GECAMINES, SMTF, SODIMIZA, SOMINKI) and public utilities (SNEL and REGIDESO). The government's goal of increasing copper production from 500,000 to 800,000 metric tons per year depends on development by these enterprises of new mines, smelters, a rolling mill, and increased hydroelectric power. These projects also offer spin-off opportunities for sale of materials handling and transport equipment, as well as building equipment and supplies.

The climate for foreign investment has been clouded by the Dec. 30 decision of the Government of Zaire to have the State take over all large production, distribution, construction and transport firms. It has been emphasized that all foreign investments made under the 1969 Investment Code will not be affected; these include almost all American investments in Zaire. Moreover, it remains to be seen whether the decision will be fully implemented. U.S. firms should continue to find joint venture investment opportunities in minerals development, power-intensive manufacturing, and agricultural processing industries.

Department of Commerce trade promotion events scheduled for coming months are a railway equipment trade mission in April, an exhibition at the International Fair of Kinshasa in June, and a catalog show in health care industries equipment, and a trade mission on motor vehicle maintenance equipment in the Fall.



Zambia

U.S. Exports Soaring; Copper Prices Decline

U.S. exports to Zambia soared in 1974 to a record level, while U.S. imports from Zambia rose only slightly.

Among American exports to Zambia only U.S. sales of mechanical handling equipment declined; major increases were recorded for insecticides, tires, construction and mining machinery pumps, valves and compressors, and railway locomotives, motor vehicles and aircraft. Full year 1974 export figures should exceed $60 million, and assure the United States a nearly 10 percent share of the Zambian market.

Prospects for 1975 should remain firm, according to Sally Kyle Miller of the Bureau of International Commerce. Zambia has adjusted to the rerouting of its trade started in 1973; copper output has recovered from the 1970 Mufulira flooding; and manufacturing output is up nearly 20 percent from 1973. Despite potential self-sufficiency in food, however, Zambia may be in need of corn imports in 1975 to replace plantings that have been damaged by disease.

Acting through the International Council of Copper Exporting Countries (CIPEC), Zambia has announced a 10 percent cutback in copper exports in an effort to force up copper prices. Prices have fallen as Western economies became increasingly sluggish and Japan made sales of stockpiled copper. The London Metals Exchange price of copper has fluctuated around $1,400 a ton for the past two months.

The economy's principal challenge is putting new mining money to use. Government capital expenditures were budgeted at $246.8 million for 1974. Projects included are fertilizer production; truck assembly; battery manufacture; sawmill plants; and expansion of telecommunications facilities, including telephone, telex, television and microwaves. Expansion is envisaged for the two hydroelectric installations at Kariba and Kafue. A further range of longer term proposals include an iron and steel mill, hydrocarbon cracking plant, expanded copper fabricating facilities, a new mining complex in Northwestern Province, and a third stage to the Kafue Hydro works.

Zambia's GNP at market prices grew by 10.4 percent in 1973 to $3,142 million. Consumer prices rose at the relatively modest rates of 8.1 percent and 7.7 percent for low and high income groups, respectively. The wholesale price index rose only 4.1 percent.

Promotional programs sponsored by the Department of Commerce in 1975 include a technical sales seminar on transportation and construction equipment and services in May, a railroad trade mission in April, and a trade mission on food processing in September.

U.S. Share Of Imports Into Selected Countries

Area and country	1973 Imports			1974 Imports January through latest month			
	From world	From U.S.	U.S. share	Latest month	From world	From U.S.	U.S. share
	(million dollars)		%		(million dollars)		%
LATIN AMERICA							
Barbados	169	35	20.9	May	87	17	19.5
Bermuda	123	55	45.0	(1)	(1)	(1)	(1)
Guadeloupe	202	9	4.4	Mar.	60	(1)	(1)
Guyana	175	43	24.3	Feb.	35	9	26.3
Martinique	244	11	4.3	Mar.	63	(1)	(1)
Paraguay	122	20	16.6	Aug.	111	12	10.7
Uruguay	298	31	10.5	Aug.	285	23	8.2
WESTERN EUROPE							
Cyprus	449	30	6.6	Aug.	333	21	6.4
Iceland	350	26	7.4	Sept.	373	33	8.8
Ireland	2,789	192	6.9	Mar.	841	55	6.5
Malta	240	14	6.0	Mar.	83	4	5.2
Portugal	3,008	246	8.2	Sept.	2,615	253	9.7
NEAR EAST-NORTH AFRICA							
Jordan	328	34	10.4	June	227	11	4.9
Libya	1,909	299	25.2	(1)	(1)	(1)	(1)
Syria	593	22	3.7	June	565	(1)	(1)
FAR EAST-SOUTH ASIA							
Fiji	205	10	4.7	(1)	(1)	(1)	(1)
Laos	258	24	27.5	(1)	(1)	(1)	(1)
New Caledonia	220	8	3.8	July	147	4	2.9
Sabah	287	29	10.0	June	229	23	10.0
Sri Lanka (Ceylon)	422	38	9.0	July	327	9	2.8
Viet-Nam, Rep. of	656	304	46.4	Sept.	631	408	64.7
West Malaysia	2,087	171	8.2	June	1,690	(1)	(1)
OTHER AFRICA							
Cameroon	310	28	9.0	Mar.	112	(1)	(1)
Chad	82	3	4.0	(1)	(1)	(1)	(1)
Ethiopia	215	18	8.5	Mar.	54	3	5.1
Gabon	167	14	8.4	(1)	(1)	(1)	(1)
Ghana	450	70	15.5	Feb.	12	1	10.0
Liberia	194	54	27.8	June	128	(1)	(1)
Malagasy Republic	204	15	7.5	Mar.	60	11	17.7
Malawi	141	3	2.3	Mar.	43	(1)	(1)
Mauritius	171	5	2.8	Mar.	58	(1)	(1)
Mozambique	464	23	4.9	Jan.	46	2	3.9
Niger	55	4	7.8	(1)	(1)	(1)	(1)
Reunion	286	7	2.6	Mar.	62	(1)	(1)
Senegal	359	27	7.5	(1)	(1)	(1)	(1)
Sierra Leone	158	14	7.1	Feb.	33	2	7.3
Somalia	291	22	21.8	(1)	(1)	(1)	(1)
Sudan	436	33	7.6	Mar.	110	3	3.0
Tanzania	480	14	2.9	Apr.	211	9	4.0
Togo	101	4	4.4	Jan.	7	(3)	5.9
Uganda	156	3	2.0	Apr.	62	3	4.8

Note: The selected countries are those whose total imports are valued at $50 million or more and are not covered in the country articles in this issue. In order to present comparable statistics for all countries, import data have been adjusted from an f.o.b. to a c.i.f. valuation for Paraguayan imports from the United States.

[1] Not available. [2] Estimated from partial year data. [3] Less than $500.

Source: Official trade statistics of listed countries.
International Monetary Fund, *International Financial Statistics.*

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